

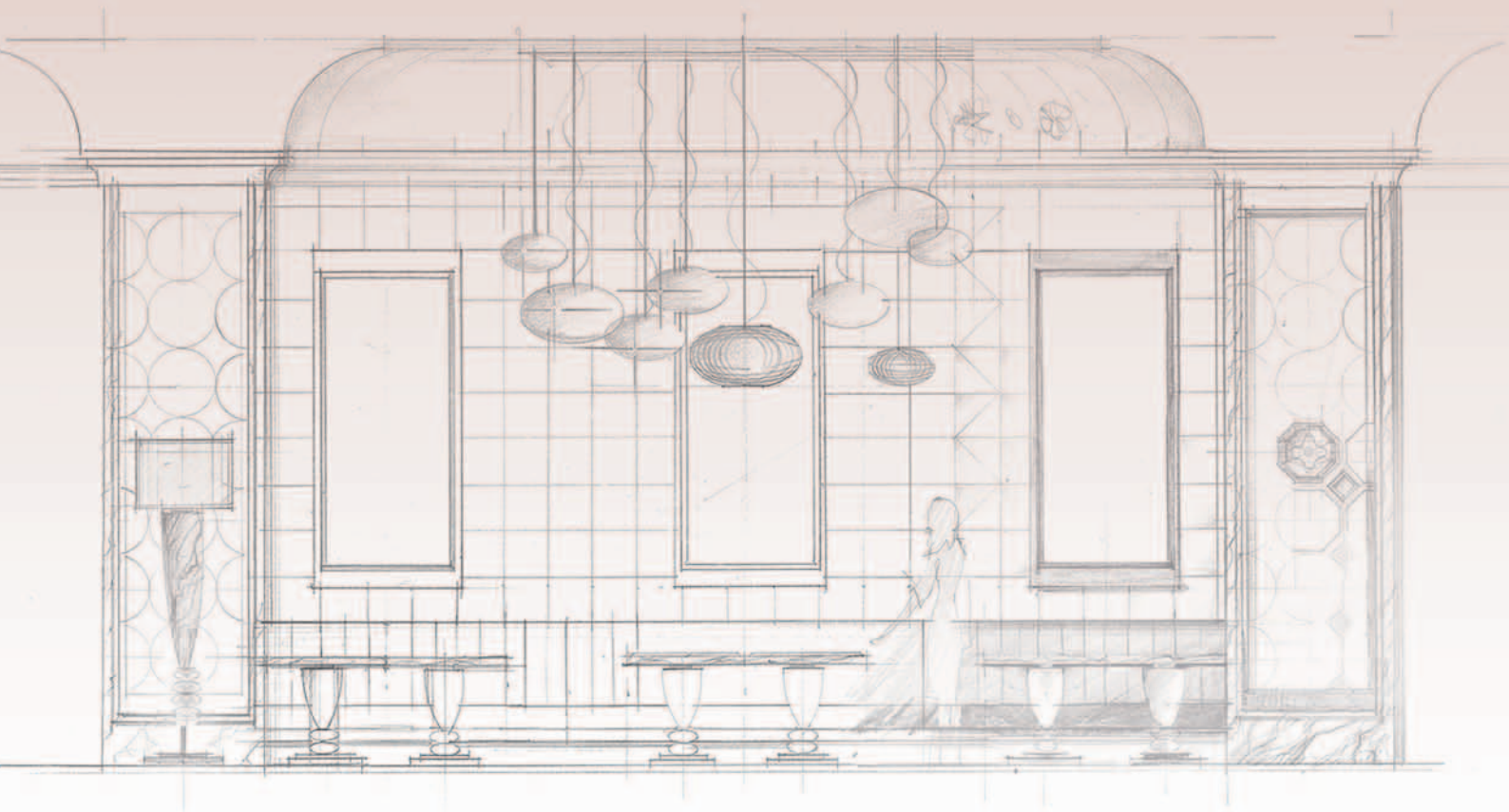


LC GROUP HOLDINGS LIMITED 良斯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1683

SHARE OFFER



Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Joint Lead Managers



太平基業證券有限公司
Pacific Foundation Securities Limited

AmCap
Ample Orient Capital Limited

Sole Bookrunner



太平基業證券有限公司
Pacific Foundation Securities Limited

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



LC Group Holdings Limited

良斯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares : 125,000,000 Shares
Number of Public Offer Shares : 12,500,000 Shares (subject to reallocation)
Number of Placing Shares : 112,500,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$1.00 per Offer Share and expected to be not less than HK\$0.85 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value per Share : HK\$0.01
Stock Code : 1683

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Sole Bookrunner



太平基業證券有限公司
PACIFIC FOUNDATION SECURITIES LIMITED

Joint Lead Managers



太平基業證券有限公司
PACIFIC FOUNDATION SECURITIES LIMITED

AmCap

Ample Orient Capital Limited

Co-Managers



智華證券有限公司
Supreme China Securities Limited

SUNWAH KINGSWAY
新華滙富

Kingsway Financial Services Group Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

The Offer Price is expected to be fixed by an agreement between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 1 September 2015 or such other date or time as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters). The Offer Price will be not more than HK\$1.00 per Offer Share and is expected to be not less than HK\$0.85 per Offer Share, unless otherwise announced. Applicants for the Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.00 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$1.00.

The Sole Bookrunner (for itself and on behalf of the other Underwriters), with the consent of our Company, may reduce the indicative Offer Price range below that as stated in this prospectus (which is HK\$0.85 to HK\$1.00) at any time prior to the morning of the last day for lodging applications under the Public Offer. In such event, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese) an announcement and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.lchh.hk) of such change. Further details are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. If, for whatsoever reason, our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters) are unable to reach an agreement at or prior to Tuesday, 1 September 2015 or such other date or time as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters), the Share Offer will not become unconditional and will lapse immediately. In such event, our Company will issue an announcement to be published in The Standard (in English) and Sing Tao Daily (in Chinese).

Prospective investors of the Share Offer should note that the Share Offer will not proceed if the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriter) terminates the obligations of the Public Offer Underwriter under the Public Offer Underwriting Agreement after any of the events set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination" in this prospectus occurs prior to 8:00 a.m. on the Listing Date. It is important that you refer to the section headed "Underwriting" in this prospectus for further details. It is important that you carefully read those sections before making any investment decision.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including, without limitation, the risk factors set out in the section headed "Risk Factors" in this prospectus.

21 August 2015

EXPECTED TIMETABLE *(Note 1)*

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published in English in *The Standard* and in Chinese in *Sing Tao Daily* and to be posted on the website of our Company at www.lchk.hk and the website of the Stock Exchange at www.hkexnews.hk.

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website www.hkeipo.hk *(Note 2)* 11:30 a.m. on
Wednesday, 26 August 2015

Application lists of the Public Offer open *(Note 3)* 11:45 a.m. on
Wednesday, 26 August 2015

Latest time for lodging WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC *(Note 4)* 12:00 noon on
Wednesday, 26 August 2015

Latest time to complete payments for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on
Wednesday, 26 August 2015

Application lists of the Public Offer close *(Note 3)* 12:00 noon on
Wednesday, 26 August 2015

Expected Price Determination Date *(Note 5)* Tuesday, 1 September 2015

Announcement of (i) the Offer Price; (ii) the indication of the level of interest in the Placing; (iii) the level of applications in the Public Offer; (iv) the basis of allotment of the Public Offer Shares under the Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published in English in *The Standard* and in Chinese in *Sing Tao Daily* and on the website of our Company at www.lchk.hk and the website of the Stock Exchange at www.hkexnews.hk on or before Monday, 7 September 2015

Results of allocation in the Public Offer will be available at www.tricor.com.hk/ipo/result with a “search by ID” function from Monday, 7 September 2015

EXPECTED TIMETABLE *(Note 1)*

Announcement of results of allotment of the Public Offer
(with successful applicants' identification document numbers,
where applicable) available through a variety of channels
as described in the section headed "How to apply for
the Public Offer Shares — Publication of Results"
in this prospectus from Monday, 7 September 2015

Despatch/collection of share certificates and/or e-Auto
Refund payment instructions/refunds cheques on or
before *(Notes 6, 7)* Monday, 7 September 2015

Dealings in the Shares on the Main Board of the
Stock Exchange expected to commence on 9:00 a.m. on
Tuesday, 8 September 2015

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 26 August 2015, the application lists will not open or close on that day. Further information is set forth in the section headed "How to Apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists" in this prospectus.
4. Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Public Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
5. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Tuesday, 1 September 2015. If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters), the Share Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$1.00 per Share, applicants must pay the maximum Offer Price of HK\$1.00 per Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to apply for the Public Offer Shares" in this prospectus.
6. Share certificates for the Offer Shares are expected to be issued on Monday, 7 September 2015 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 8 September 2015 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.

EXPECTED TIMETABLE *(Note 1)*

7. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (www.hkeipo.hk) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

CONTENTS

This prospectus is issued by us solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not contained or made in this prospectus and the related Application Forms must not be relied on by you as having been authorised by us, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a one-stop integrated interior design solutions provider based in Hong Kong. Our integrated interior design solutions include design, fit out and decoration. We are also responsible for the overall project management. Our customers can choose from one or a combination of our solutions. During the Track Record Period, we primarily focused on the residential property segment in Hong Kong, the PRC and Macau. During the Track Record Period, over 90% of our revenue are derived from our Group Customers who are either Hong Kong blue chip listed property developers or Hong Kong listed companies. Our Group’s revenue has principally been driven by the demand of our customers and the geographical expansion of our customers’ property developments, which in recent years, have been in Hong Kong, the PRC and to a lesser extent, Macau. For the three years ended 30 September 2014 and the five months ended 28 February 2015, our revenue amounted to approximately HK\$270.3 million, HK\$183.4 million, HK\$113.8 million and HK\$56.2 million, respectively.

During the Track Record Period, we primarily focused on providing our integrated interior design services for residential show flats and sales offices of property developers. The scope of contract of our residential show flat and sales office related projects awarded by our customers often included also other residential facilities such as entrance lobby, lift lobby and clubhouse. Accordingly, the contract sums of which were often in a lump sum and were not separable.

The following table sets forth breakdown of our Group’s revenue contribution from the residential show flat and sales office related projects by different types of projects:

	For the year ended 30 September			For the five months ended 28						
	2012	2013	2014	2014	February	2015				
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>			
	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>			
	<i>HK\$’000</i>	<i>revenue</i>	<i>HK\$’000</i>	<i>revenue</i>	<i>HK\$’000</i>	<i>revenue</i>	<i>HK\$’000</i>			
					<i>(unaudited)</i>					
DD	7,568	2.8%	3,152	1.7%	3,628	3.2%	2,200	3.2%	4,838	8.6%
DFD	238,543	88.3%	135,900	74.1%	69,669	61.2%	55,490	80.3%	24,901	44.3%
Total revenue from residential show flat and sales office related projects	<u>246,111</u>	<u>91.1%</u>	<u>139,052</u>	<u>75.8%</u>	<u>73,297</u>	<u>64.4%</u>	<u>57,690</u>	<u>83.5%</u>	<u>29,739</u>	<u>52.9%</u>

Note: Such revenue amount represented total revenue from residential show flat and sales office related projects which could include revenue derived from other residential facilities such as entrance lobby, lift lobby and clubhouse, as stated in the scope of the contract.

BUSINESS

Our services

When we are engaged by our customers, we are typically responsible for the overall project implementation by providing or coordinating with our material suppliers and subcontractors to provide the necessary materials, labour, expertise and technical know-how required and place our customers in their desired market position and meet customers’ expectation on time and within budget. For each of our projects, we are also responsible for the overall project management. The project management services involve the process of planning, organising, motivating, and controlling of time, quality, resources, procedures and protocols to ensure our overall services adhere to our customers’ expectations and timely and smooth progression of the project by resolving daily issues. Each of our projects will typically originate with a written or verbal RFP. For RFPs received from individual customers, our proposals will typically be provided on our Group’s format. As at the Latest Practicable Date, we had over 50 approved subcontractors and over 120 approved material suppliers, of which many of whom have a relationship with us for over five years.

SUMMARY

Customers

During the Track Record Period, we have provided our integrated interior design solutions to customers who can be broadly classified as: (i) private projects — customers who are mostly private individuals; and (ii) corporate projects — customers who are mostly property developers. A majority of our Group Customers are recurring customers with whom we have established solid business relationships and we believe they have a good understanding of our strengths and capabilities. We do not have any long-term contracts with our customers or Group Customers and our contracts are entered into on project-by-project basis. For the three years ended 30 September 2014 and the five months ended 28 February 2015, our Group's five largest customers by contracting party accounted for approximately 77.8%, 72.7%, 83.6% and 81.3% of our total revenue, respectively, with the largest customer by contracting party accounting for approximately 36.6%, 24.9%, 39.0% and 28.5% of our total revenue, respectively. For the three years ended 30 September 2014 and the five months ended 28 February 2015, on the basis that all contracts with related companies are consolidated, our Group's five largest Group Customers accounted for approximately 93.7%, 85.6%, 90.7% and 94.9% of our total revenue, respectively, with the largest Group Customers accounting for approximately 36.9%, 25.7%, 48.3% and 28.5% of our total revenue, respectively. All of our five largest customers during the Track Record Period are Independent Third Parties.

Suppliers

Our suppliers are broadly categorised into (i) material suppliers, and (ii) subcontractors. Our largest supplier accounted for approximately 7.0%, 7.0%, 8.3% and 10.6% of our cost of sales for the three years ended 30 September 2014 and the five months ended 28 February 2015, respectively. Our top five largest suppliers accounted for approximately 28.3%, 25.8%, 34.6% and 34.8% of our cost of sales for the three years ended 30 September 2014 and the five months ended 28 February 2015, respectively. Save for TM Design, all of our five largest suppliers during the Track Record Period are Independent Third Parties and have business relationships with us from 2 to 15 years.

Material suppliers

During the process of fit out and decoration, we are often required to source and purchase various fit out materials and decorations from our material suppliers. The types of decorations include glasswares, flowers, electronic appliances, kitchenwares, carpets, beddings, accessories and artworks. In addition to decorating services, we may also be required to purchase fit out materials. In such circumstances, we source the fit out material and provide it to our fit out subcontractors for installation. The major fit out materials which we have purchased and supplied to our fit out subcontractors include lightings, wood, fabrics, wallpaper, toiletries and curtains. During the Track Record Period, we sourced decorations and fit out materials locally or overseas. We do not enter into any long-term supply agreement with our material suppliers and purchases of fit out materials and decorations are made as and when required. Since our establishment, we have built up a list of material suppliers that we have worked with and have maintained a good relationship with them. We do not rely on any one particular material supplier as each and every design may be different and require different sort of materials to suit our needs. As such, our Directors believe that we do not depend on any of our material suppliers as we have a number of alternative material suppliers for all major materials. We do not enter into any formal agreements for the purchase of fit out materials and decorations. As at the Latest Practicable Date, we had a pool of over 120 approved material suppliers for the provision of fit out materials and decorations and many of them have supplied materials to us for over five years. For new material suppliers, we typically conduct pre-assessments to ensure their materials comply with our specific project requirements.

Subcontractors

Our majority of subcontracted works include drafting works, steelworks, woodworks, marble works, stone works, electrical works and water supply works. Most of the drafting works relating to the detailed design are outsourced to our drafting subcontractors. Drafting works include 2D plans and elevation and 3D renderings, if required by our customers. All of our fit out works are outsourced to our fit out subcontractors. As at the Latest Practicable Date, we had a pool of over 50 approved subcontractors from which we may choose from to carry out various types of works which we normally outsource. Many of our subcontractors that we have on our approved list of subcontractors have worked with us for over five years and have established a solid and good working relationship with us and this helps facilitate communication with the subcontractors to ensure quality and timely performance of their works.

SUMMARY

SALES AND MARKETING

We adopt direct marketing strategies. Our contracts are sourced principally by Mr. Leong, Ms. Chew and Mr. Shih through their private network and business contacts established over the years as well as from referrals from our recurring customers. Over the years, we have primarily focused on residential show flats and sales offices. Our Directors believe that the primary source of contact is from our recurring customers who already have an existing understanding of our quality of services and design and therefore this allows our Group to engage in minimum marketing.

We adopt a cost-plus pricing model. When determining the appropriate mark-up, we take into account our customers' acceptable range of service price based on our past dealings with the customer and a number of other factors such as the scale, complexity and specification of the project, our capacity, project duration, the estimated project cost (which mainly includes the direct staff cost, subcontracting costs and material costs), historical fee we received for similar project, the current fee level in the market and the competitive conditions.

COMPETITIVE STRENGTHS

Our Group believes that the following competitive strengths have set our Group apart from its competitors:

- We have stable and long-term customer relationships with our major Group Customers that include listed property developers
- We have strong and stable relationships with our quality suppliers
- We offer one-stop integrated interior design solutions
- We are able to effectively and efficiently manage our projects within our customers' time constraints
- We have a strong and experienced management team with proven track record

CORPORATE STRATEGIES

Our principal business objectives are to develop our business and achieve sustainable growth. We intend to achieve our business objectives by pursuing the following strategies:

- Maintain and strengthen our market position in Hong Kong
- Expand further into the PRC market
- Build our brand name recognition and strengthen our marketing efforts
- Continue to recruit talents and enhance internal training to support future growth
- Selectively pursue acquisition of companies and/or business with similar business

Please see the section headed "Business — Corporate Strategies" in this prospectus for further details.

MAJOR RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. More details of the risks we are exposed to are set out in the section headed "Risk Factors" in this prospectus. The following highlights some of the risks which are considered to be material by our Directors:

- We rely on several major Group Customers who do not have long-term commitments with us and may terminate their relationship with us
- We are highly affected by the development and growth in the property development industry as well as the future growth of one-stop integrated interior design projects. Our business is highly correlated with the performance of our Group Customers' industry, and the demand for our services from our Group Customers could be volatile. Any change in market expectation on property development industry may have a material adverse effect on our business, results of operations, financial condition and prospects
- A possible slowdown in Hong Kong property market may adversely affect our business, results of operations and financial performance
- Delays in the completion of projects may subject us to compensation or liquidated damages and our reputation may be detrimentally affected
- We rely on our ability to successfully meet customers' and end users' preference by delivering our interior design solutions in a timely manner

SUMMARY

- We rely on our management team in operating our business
- Negative publicity or damage to our business reputation may have potential adverse impact on our business

SUMMARY OF COMBINED FINANCIAL INFORMATION

The below summary combined financial information for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015 should be read together with the combined financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in the section headed “Financial Information” in this prospectus. Our combined financial information was prepared in accordance with HKFRS.

	For the year ended 30 September			For the five months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (Unaudited)	2015 HK\$'000
Revenue	270,293	183,429	113,786	69,112	56,240
Gross profit	66,589	42,711	43,850	29,380	20,915
Profit and total comprehensive income for the year/period	40,096	23,335	23,351	18,944	7,235
Profit and total comprehensive income attributable to: Owners of our Company	39,530	23,216	23,200	18,403	7,540
	As at 30 September			As at 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Total non-current assets	5,391	4,029	2,830	2,830	2,250
Total current assets	104,245	92,618	81,207	81,207	53,903
Total current liabilities	48,834	66,510	33,539	33,539	35,520
Net assets	60,802	30,137	50,498	50,498	20,633
Total equity attributable to owners of the Company	56,318	26,834	48,044	48,044	19,729
Non-controlling interests	4,484	3,303	2,454	2,454	904
Total equity	<u>60,802</u>	<u>30,137</u>	<u>50,498</u>	<u>50,498</u>	<u>20,633</u>

REVENUE

We generate our revenue principally from projects where we provide our one-stop integrated interior design solutions. Our Group's revenue were approximately HK\$270.3 million, HK\$183.4 million, HK\$113.8 million, HK\$69.1 million and HK\$56.2 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively. For further details, please refer to the section headed “Financial Information” in this prospectus.

Revenue by different types of projects

The following table sets forth the breakdown of our Group's revenue by different types of projects:

	For the year ended 30 September						For the five months ended 28 February					
	2012 HK\$'000		2013 HK\$'000		2014 HK\$'000		2014 HK\$'000 (Unaudited)		2015 HK\$'000			
		%		%		%		%		%		%
DD	8,821	3.3%	5,609	3.1%	12,323	10.8%	3,473	5.0%	7,723	13.7%		
DFD	261,472	96.7%	177,820	96.9%	101,463	89.2%	65,639	95.0%	48,517	86.3%		
Total:	<u>270,293</u>	<u>100%</u>	<u>183,429</u>	<u>100%</u>	<u>113,786</u>	<u>100%</u>	<u>69,112</u>	<u>100%</u>	<u>56,240</u>	<u>100%</u>		

SUMMARY

DD project

Our DD services are projects in which our customers engage us for one of or a combination of our interior design and decoration services without requiring our fit out service. Our revenue derived from DD projects are approximately HK\$8.8 million, HK\$5.6 million, HK\$12.3 million, HK\$3.5 million and HK\$7.7 million and the portion of revenue from these projects are approximately 3.3%, 3.1%, 10.8%, 5.0% and 13.7% for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively. The portion of our revenue derived from DD projects remained relatively stable for the years ended 30 September 2012 and 2013. The increase in the portion of these projects from approximately 3.1% for the year ended 30 September 2013 to approximately 10.8% for the year ended 30 September 2014 was the result of the increased number of projects located in the PRC and to the understanding of our Directors, our projects in the PRC are more likely to engage us for our DD services without requiring our fit out service.

DFD project

Our major revenue has been predominantly generated from projects where we provide our customers with our one-stop integrated interior design solutions including DFD services. Our revenue derived from DFD projects are approximately HK\$261.5 million, HK\$177.8 million, HK\$101.5 million, HK\$65.6 million and HK\$48.5 million and the portion of revenue from these projects are approximately 96.7%, 96.9%, 89.2%, 95.0% and 86.3% for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively.

For our DD services, the revenue contribution from residential show flat and sales office related projects were approximately HK\$7.6 million, HK\$3.2 million, HK\$3.6 million, HK\$2.2 million and HK\$4.8 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015 respectively. For our DFD services, the revenue contribution from residential show flat and sales office related projects were approximately HK\$238.5 million, HK\$135.9 million, HK\$69.7 million, HK\$55.5 million and HK\$24.9 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively. The revenue contribution from residential show flat and sales office related projects accounted for approximately 91.1%, 75.8%, 64.4%, 83.5% and 52.9% for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively. The decreasing trend in our revenue contribution from residential show flat and sales office related projects are mainly attributable to the increasing number of (i) residential projects, such as, clubhouse, lobby and private residential projects, that did not include our show flat and sales office interior design services in the contracts; as well as (ii) our non-residential projects such as hotels and restaurants projects.

Revenue by geographical location

The following table sets forth the breakdown of our Group's revenue by geographical location of the projects:

	For the year ended 30 September						For the five months ended					
	2012		2013		2014		28 February 2014		2015			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	5,795	2.2%	35,377	19.3%	56,109	49.3%	40,702	58.9%	9,403	16.7%		
Hong Kong	240,896	89.1%	141,044	76.9%	57,077	50.2%	27,810	40.2%	46,837	83.3%		
Macau	23,602	8.7%	7,008	3.8%	600	0.5%	600	0.9%	—	—		
Total:	270,293	100%	183,429	100%	113,786	100%	69,112	100%	56,240	100%		

Our major Group Customers were mostly well established property developers based in Hong Kong during the Track Record Period; hence, our projects in Hong Kong has been the key component to our overall revenue which accounted for approximately HK\$240.9 million, HK\$141.0 million, HK\$57.1 million, HK\$27.8 million and HK\$46.8 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, representing approximately 89.1%, 76.9%, 50.2%, 40.2% and 83.3% of the overall revenue of our Group for the respective periods.

The downward trend of our revenue derived from Hong Kong projects was mainly due to (i) the significant drop in overall property sales transaction in Hong Kong since the introduction of policies to cool down the property market in Hong Kong in 2013; and (ii) our strategic allocation of our resources and manpower towards the mix of our PRC projects in 2013 and 2014 in response to the

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slowdown of Hong Kong property market. Revenue derived from projects in Hong Kong increased from approximately HK\$27.8 million for the five months ended 28 February 2014 to HK\$46.8 million for the five months ended 28 February 2015, representing approximately 40.2% and 83.3% of our overall revenue for the respective periods. Such significant growth was mainly driven by two DFD projects with an aggregate turnover of approximately HK\$28.9 million. The increase in percentage was mainly attributable to (i) our strategic allocation of manpower and resources towards Hong Kong projects with fit out works, benefiting from the surge of demand for luxury interior design from the spate of launching smaller properties in Hong Kong and (ii) the drop in revenue derived from our PRC projects as a result of completion of a major DFD project in the PRC in 2014.

With increasing numbers of PRC project requests since the year ended 30 September 2013 from (i) our Hong Kong based customers who were developing their businesses in the PRC as well as (ii) our PRC based customers who were attracted by our design and market reputation, our overall revenue derived from projects in the PRC increased gradually from approximately HK\$5.8 million for the year ended 30 September 2012 to approximately HK\$35.4 million for the year ended 30 September 2013 then to approximately HK\$56.1 million for the year ended 30 September 2014. For the five months ended 28 February 2014 and 2015, the revenue generated from our PRC projects decreased significantly from approximately HK\$40.7 million to approximately HK\$9.4 million upon the completion of the major PRC DFD project in 2014 which accounted for turnover of approximately HK\$37.8 million and represented approximately 54.7% of our overall revenue for the five months ended 28 February 2014. The percentage of our Group's revenue generated from our PRC projects which were derived from the PRC affiliates of our Hong Kong based customers increased progressively and accounted for approximately 0.7%, 18.2% and 40.2% for the three years ended 30 September 2014. For the five months ended 28 February 2014 and 2015, the percentage of our Group's revenue generated from our PRC projects which were derived from the PRC affiliates of our Hong Kong based customers dropped sharply from 55.6% to nil as a result of the completion of two major DFD projects in the PRC with our Hong Kong based customer for the year ended 30 September 2013 and 2014 respectively. All of our PRC projects for the five months ended 28 February 2015 were engaged by our PRC based customers, which included a Hong Kong listed company. For the breakdown of number of projects and our revenues generated by geographical location and by our types of services during the Track Record Period, please refer to the section headed "Business — Business Overview" in this prospectus.

GROSS PROFIT

During the Track Record Period, our gross profit and gross profit margin by type of projects are set forth as follows:

	2012		For the year ended 30 September 2013		2014		For the five months ended 28 February 2014		2015	
	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %
DD	7,737	87.7%	2,634	47.0%	8,378	68.0%	2,966	85.4%	7,067	91.5%
DFD	58,852	22.5%	40,077	22.5%	35,472	35.0%	26,414	40.2%	13,848	28.5%
Total:	<u>66,589</u>	<u>24.6%</u>	<u>42,711</u>	<u>23.3%</u>	<u>43,850</u>	<u>38.5%</u>	<u>29,380</u>	<u>42.5%</u>	<u>20,915</u>	<u>37.2%</u>

Our gross profit were approximately HK\$66.6 million, HK\$42.7 million, HK\$43.9 million HK\$29.4 million and HK\$20.9 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015 respectively.

Although our overall revenue recorded a significant drop during the Track Record Period, the downward trend of our gross profit was relatively mild. With a mix of different portion of our different types of projects as well as geographical expansion strategically in response to the ever changing market condition, our Group was able to maintain an overall gross profit margin of over 20% with the highest being 42.5% during the Track Record Period. Our overall gross profit margin amounted to approximately 24.6%, 23.3%, 38.5%, 42.5% and 37.2% for each of the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively.

Our DD and DFD projects have different cost structures, details of which explained in the section headed "Financial Information — Cost of Sales" in this prospectus. Our DD projects generally incurred higher margin than projects that requires our fit out service as (i) our DD projects involved fewer subcontractors than our DFD projects allowing rooms for higher mark-up in consideration of the

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quality of our interior design solution services; and (ii) the major cost components of DD projects were our direct staff costs and drafting subcontractors cost, which were common cost components shared among all of our projects, resulting in a relatively lower cost to our DD projects. For the years ended 30 September 2012 and 2013, our Group's overall gross profit margin dropped from approximately 24.6% to approximately 23.3% which was driven by the drop in profitability of our DD projects during the year. This drop in profitability of our DD projects was in turn due to a lower margin project that only required our decoration service where higher material purchase cost were incurred as compared with other DD projects. With an increasing number of PRC project invitations during the year ended 30 September 2014, our Group was able to strategically select projects with higher profit margin and market potentials. For the years ended 30 September 2013 and 2014, our Group has improved our gross profit margin from approximately 23.3% to 38.5%. Such improvement was mainly attributable to our increasing profit margin from both types of our projects, as benefited from the increased number of PRC project invitations due to the popularity of Hong Kong interior designers in the PRC, where the gross profit margin of our DD projects rose from approximately 47.0% to 68.0% and our gross profit margin of our DFD projects also rose from approximately 22.5% to 35.0% for the respective years. The gross profit margin of our Group for the five months ended 28 February 2015 remained stable with a slight drop which was mainly attributable to the drop in gross profit margin from undertaking more DFD projects with smaller properties in Hong Kong despite the improvement in gross profit margin in our DD projects as a result of the drop in staff cost and material costs. For further details, please refer to the section headed "Financial Information — Principal Combined Statements of Profit or Loss Line Items — Gross Profit" in this prospectus.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Our profit and total comprehensive income for the year had a downward trend during the Track Record Period and were approximately HK\$40.1 million, HK\$23.3 million, HK\$23.4 million, HK\$18.9 million and HK\$7.2 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015 respectively. Apart from the fact that this downward trend was in line with the decrease in gross profit during the Track Record Period, other factors such as administrative expenses not falling in the same proportion as the revenue and gross profit also contributed to the continuous fall.

KEY FINANCIAL RATIOS

	For the year ended 30 September			For the five months ended 28 February
	2012	2013	2014	2015
Current ratio ¹	2.1 times	1.4 times	2.4 times	1.5 times
Quick ratio ²	2.1 times	1.4 times	2.4 times	1.5 times
Gearing ratio ³	N/A	N/A	N/A	N/A
Debt to equity ratio ⁴	N/A	N/A	N/A	N/A
Interest coverage ⁵	N/A	N/A	N/A	N/A
Return on total assets ⁶	36.6%	24.1%	27.8%	12.9%
Return on equity ⁷	65.9%	77.4%	46.2%	35.1%
Net profit margin ⁸	14.8%	12.7%	20.5%	12.9%

Notes:

- Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective period end.
- Quick ratio is calculated based on the total current assets less inventories and divided by total current liabilities as at the respective period end.
- Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective period end and multiplied by 100%. Our Group did not have any bank borrowings during the Track Record Period, hence no gearing ratio is formulated for our Group for the three years ended 30 September 2014 and the five months ended 28 February 2015.
- Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective period end and multiplied by 100%. Our Group did not have any borrowings during the Track Record Period, hence no debt to equity ratio is formulated for our Group for the three years ended 30 September 2014 and the five months ended 28 February 2015.
- Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective period. Our Group did not have any borrowings during the Track Record Period, hence no interest coverage is formulated for the three years ended 30 September 2014 and the five months ended 28 February 2015.
- Return on total assets is calculated by the net profit for the period divided by the total assets as at the respective period end and multiplied by 100%.

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7. Return on equity is calculated by the net profit for the period divided by the total equity as at the respective period end and multiplied by 100%.
8. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective period and multiplied by 100%.

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance incidents and in particular, (i) late tax filings for the two years ended 30 September 2013 in respect of LCL Design and LCL Ltd. in Macau of which a tax provision of approximately HK\$0.2 million and penalty provision of approximately HK\$69,000 have been recognised for the year ended 30 September 2012 and (ii) failure to inform Crystal Sky's chargeability to tax under the Inland Revenue Ordinance within the specified time in Hong Kong, of which the total tax involved for the years of assessment 2009/10 to 2013/14 of approximately HK\$13.1 million, and penalty provisions of approximately HK\$4.6 million, i.e. around 35% of the tax involved, have been provided for the years of assessment 2009/10 to 2013/14.

Pursuant to the Deed of Indemnity, save for the amounts which have been provided as set out in Appendix I to this prospectus and subject to the terms and conditions contained therein, the Controlling Shareholders have jointly and severally undertaken to indemnify us in respect of any tax liabilities and penalties arising from the above non-compliance incidents.

Our Directors have confirmed that, save as disclosed in the section headed "Business — Litigation" in this prospectus, there were no litigation or arbitration proceedings during the Track Record Period, and, to their best knowledge, they are not aware of any pending or threatened litigation or arbitration proceedings against us or any of our Directors which had or could have a material and adverse effect on our financial condition or results of operations.

For the details of our historical non-compliance incidents, please refer to the section headed "Business — Legal Compliance and Risk Management" in this prospectus.

DIVIDEND POLICY

For the three years ended 30 September 2014 and the five months ended 28 February 2015, members of our Group declared dividends of approximately HK\$15.0 million, HK\$54.0 million, HK\$3.0 million and HK\$37.1 million, representing approximately 37.4%, 231.4%, 12.8% and 512.8% of the respective period's profit and total comprehensive income attributable to owners of the parent. Other than the dividend of HK\$1.3 million and HK\$1.0 million which were paid to the non-controlling interest Shareholders for the years ended 30 September 2013 and 2014 respectively, all the dividends paid by our Group were paid to our Controlling Shareholders. The dividends to the non-controlling interest Shareholders were paid in June 2013 and August 2014 by cash and financed by the internal resource of our Group respectively. The declared dividends to our Controlling Shareholders were settled in September 2012, June 2013, September 2013, August 2014 and January 2015 by setting off against the outstanding balances of the amount due from the Controlling Shareholders. In addition, members of our Group declared interim dividends in the amount of HK\$16.8 million, which were approved by their shareholders on 26 May 2015. All of such dividends are expected to be paid upon Listing. Such dividends will be funded by our internal resources. Investors in the Share Offer and persons becoming Shareholders after the Listing will not be entitled to such dividends.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

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LISTING EXPENSES

Based on the Offer Price of HK\$0.925 (being the mid point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Share Offer are approximately HK\$23.4 million, of which HK\$3.6 million has been charged to our combined statement of profit or loss and other comprehensive income for the five months ended 28 February 2015, and approximately HK\$10.5 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the remaining months of the year ending 30 September 2015 and approximately HK\$9.3 million is expected to be capitalised as deferred expenses and charged against equity upon the Share Offer under the relevant accounting standards.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme), our Controlling Shareholders will be:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue	Approximate percentage of interest in our Company's Issued share capital immediately after completion of the Share Offer and the Capitalisation Issue
SGL (<i>Note 1</i>)	Beneficial Owner	375,000,000(L)	75%
Mr. Leong	Interest of controlled corporation	375,000,000(L)	75%
Ms. Chew (<i>Note 2</i>)	Interest of spouse	375,000,000(L)	75%

Notes:

1. SGL is held as to 75% by Mr. Leong and as to 25% by Ms. Chew. Therefore, Mr. Leong is deemed to be interested in the 375,000,000 Shares held by SGL under the SFO.
2. Ms. Chew is the spouse of Mr. Leong and is deemed to be interested in the Shares held by Mr. Leong through SGL.

After the completion of the Share Offer and upon Listing, there will be certain continuing connected transactions between our Group and our Controlling Shareholders and/or their respective close associate. Details of these continuing connected transactions are set out in the section headed "Continuing Connected Transactions" in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Share Offer (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Share Offer) will be approximately HK\$92.2 million, assuming an Offer Price of HK\$0.925 per Share, being the mid-point of the Offer Price range stated in this prospectus.

We currently intend to apply these net proceeds for the following purposes:

- approximately HK\$41.5 million, representing approximately 45% of the net proceeds will be used for financing the potential acquisitions of companies and/or businesses which are primarily engaged in DFD works and that complement our existing business so as to expand our contracting capabilities;
- approximately HK\$18.5 million, representing approximately 20% of the net proceeds will be used for financing the establishment of new regional offices in the PRC;
- approximately HK\$13.8 million, representing approximately 15% of the net proceeds will be used for promoting our brand by strengthening our marketing efforts to increase our market share;
- approximately HK\$9.2 million, representing approximately 10% of the net proceeds will be used for recruiting high caliber talents in management, design, decoration, finance, sales and marketing and enhance internal training to support future growth; and
- approximately HK\$9.2 million, representing approximately 10% of the net proceeds will be used for additional working capital and other general corporate purposes.

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SHARE OFFER STATISTICS

Market capitalisation at Listing:	HK\$425 million to HK\$500 million
Offer size:	125,000,000 Shares
Offer Price:	HK\$0.85 to HK\$1.00
Board lot:	4,000 Shares
Offering structure:	112,500,000 Shares for the Placing 12,500,000 Shares for the Public Offer
Unaudited pro forma adjusted combined net tangible assets per Share ⁽¹⁾ :	HK\$0.21 to HK\$0.25

Note:

1. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not take into account the interim dividend of HK\$16,750,000 declared on 26 May 2015. Such dividend will be paid upon the Listing. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets would be approximately HK\$89,757,000 (assuming an Offer Price of HK\$0.85 per Share) and approximately HK\$107,757,000 (assuming an Offer Price of HK\$1.00 per Share) respectively, while the unaudited pro forma adjusted combined net tangible assets per Share would be HK\$0.18 (assuming an Offer Price of HK\$0.85 per Share) and HK\$0.22 (assuming an Offer Price of HK\$1.00 per Share) respectively.

RECENT DEVELOPMENT

Based on the unaudited management accounts of our Group for the nine months ended 30 June 2015, the average monthly revenue decreased as compared to that for the five months ended 28 February 2015. Such decrease was mainly due to the drop in revenue generated from DFD projects during the four months ended 30 June 2015 upon the completion of our major DFD projects during the five months ended 28 February 2015.

As at the Latest Practicable Date, our Group had 32 on-going projects with a total outstanding contract sum of approximately HK\$109.5 million up to 30 June 2015. Among them, our Directors estimated that 12, 14 and 6 of such on-going projects will be completed for year ending 30 September 2015, 2016 and 2017 respectively and the contract sum of approximately HK\$64.3 million, HK\$39.3 million and HK\$5.9 million are projected to be recognised for the respective years. Our reporting accountants have performed procedures on the total contract sum according to Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by HKICPA. Our Group has not experienced any difficulty in securing new contracts in Hong Kong and the PRC.

Members of our Group declared interim dividends in the amount of HK\$16.8 million. All of such dividends are expected to be paid upon Listing. Such dividends will be funded by our internal resources. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment.

Our gross profit margin is expected to probably decrease for the year ending 30 September 2015. The expected drop is mainly attributable to our strategic allocation of our resources and manpower towards undertaking more DFD projects in Hong Kong, benefiting from the surge of demand for luxury interior design from the spate of launching smaller properties in Hong Kong, which, however, is expected to result in a relatively lower overall gross profit margins to our Group. For details of the risks of the uncertainty in the sustainability of our gross profit margin, please refer to the section headed “Risk Factor - Risks Relating To Our Business” in this prospectus.

We currently expect that our net profit for the year ending 30 September 2015 will be negatively impacted by (i) the expected decrease in gross profit margin; and (ii) the non-recurring expense of approximately HK\$23.4 million (calculated on the assumption of an Offer Price of HK\$0.925 per Share, being the mid-point of the proposed Offer Price range) of which approximately HK\$14.1 million will be listing expenses to be recognised as expenses in our combined statement of profit or loss and other comprehensive income and the remaining listing expenses which are directly attributable to issuing new share will be deducted from equity upon the completion of the Share Offer.

There had not been, as far as we are aware, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since 28 February 2015 and up to the Latest Practicable Date.

Save as disclosed above, our Directors confirm that, since 28 February 2015 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 28 February 2015 and there had been no event since 28 February 2015 and up to the date of this prospectus which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, the following expressions and terms shall have the meanings set out below unless the context otherwise requires.

“2D”	two dimensional
“3D”	three dimensional
“Accountants’ Report”	the accountants’ report of our Group prepared by the reporting accountants set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 13 August 2015 to become effective upon the Listing, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 374,999,974 new Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company upon completion of the Share Offer as referred to in the paragraph headed “A. Further Information about our Company — 4. Written Resolutions of the sole Shareholder dated 13 August 2015” in Appendix IV to this prospectus
“CBDA”	China Building Decoration Association (中國建築裝飾協會)
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Clearing Participants”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participants”	a person admitted to participate in CCASS as a custodian participant

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance” or “Companies Ordinance (Miscellaneous Provisions)”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	LC Group Holdings Limited (良斯集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 19 January 2015 under the Companies Law
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means Mr. Leong, Ms. Chew and SGL
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Crystal Sky”	Crystal Sky Group Limited, a limited liability company incorporated in the BVI on 21 May 2007, was owned as to 100% by Mr. Leong as at the Latest Practicable Date. On 13 August 2015, Crystal Sky has passed resolutions for appointing a voluntary liquidator to proceed with its voluntary liquidation
“DD”	Design and/or decoration

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“Deed of Indemnity”	the deed of indemnity dated 13 August 2015 and entered into between our Controlling Shareholders and our Company, pursuant to which each of the Controlling Shareholders has given certain tax and estate duty indemnities and other indemnities in favour of our Company (for itself and as trustee for each of our subsidiaries), further particulars of which are set out in the paragraph headed “D. Other Information — 1. Tax and Other Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 13 August 2015 and entered into between our Controlling Shareholders and our Company (for itself and as trustee for each of our subsidiaries), the principal terms of which are summarised in the section headed “Relationship with Controlling Shareholders — Deed of Non-competition” in this prospectus
“DFD”	design, fit out and decoration
“Director(s)”	director(s) of our Company
“DSSOPT”	Land, Public Works and Transport Bureau of Macau (澳門土地工務運輸局)
“Euromonitor”	Euromonitor International Limited, a market research company and an Independent Third Party
“Euromonitor Report”	the industry report prepared by Euromonitor
“GDP”	gross domestic product
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group”, “we”, “our” and “us”	our Company and our subsidiaries, or, as the context may require, any of them
“Group Customer”	the holding company or shareholder or related party of our customer, some of which are listed companies on the Stock Exchange or unlisted property developers
“ HK eIPO White Form ”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form (www.hkeipo.hk)

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“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKIDA”	Hong Kong Interior Design Association
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of our Company within the meaning of the Listing Rules
“IRD”	the Inland Revenue Department of Hong Kong
“Joint Lead Managers”	Pacific Foundation Securities Limited, a corporation which is licensed to conduct Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO and Ample Orient Capital Limited, a licensed corporation to engage in Type 1 (dealing in securities) regulated activities under the SFO
“Latest Practicable Date”	13 August 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“LCL Architects”	LCL Architects Limited, a company incorporated in Hong Kong on 28 March 1996 with limited liability and an indirect wholly-owned subsidiary of our Company
“LCL China”	LCL China Limited, a company incorporated in Hong Kong on 30 January 2014 with limited liability and an indirect wholly-owned subsidiary of our Company

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“LCL Construction”	LCL Construction Limited, a company incorporated in Hong Kong on 25 May 2007 with limited liability and an indirect wholly-owned subsidiary of our Company
“LCL Deco”	LCL Deco Limited, a company incorporated in Hong Kong on 24 July 2000 with limited liability and an indirect wholly-owned subsidiary of our Company
“LCL Decoration”	LCL Decoration Limited, a company incorporated in Hong Kong on 29 June 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“LCL Design”	LCL Design Limited, a company incorporated in Hong Kong on 23 June 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“LCL Interior”	LCL Interior Limited, a company incorporated in Hong Kong on 25 May 2007 with limited liability and an indirect wholly-owned subsidiary of our Company
“LCL Ltd.”	LCL Limited, a company incorporated in Hong Kong on 12 March 2004 with limited liability and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 8 September 2015, on which the Shares are listed on the Stock Exchange and from which date dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, adopted on 13 August 2015 and as amended from time to time, a summary of the current version of which is set out in Appendix III to this prospectus
“Mr. Leong”	Mr. Leong Hing Loong Rudoff, an executive Director and a Controlling Shareholder, is the spouse of Ms. Chew

DEFINITIONS

“Mr. Shih”	Mr. Shih Steven Chun Ning (also known as Mr. Shih Steven), an executive Director
“Ms. Chew”	Ms. Chew Christina Mooi Chong, an executive Director and a Controlling Shareholder, is the spouse of Mr. Leong
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, the Stock Exchange trading fee and SFC transaction levy), which will not be more than HK\$1.00 and is expected to be not less than HK\$0.85, such price to be agreed upon by us and the Sole Bookrunner (for itself and on behalf of the Underwriters) and determined on or before the Price Determination Date
“Offer Shares”	collectively, the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Placing Price to professional, institutional and private investors as described in the section headed “Structure and Conditions of the Share Offer — the Placing” in this prospectus
“Placing Shares”	the 112,500,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Placing (subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into, amongst others, our Company, the Controlling Shareholders, the executive Directors and the Placing Underwriters on or about the Price Determination Date
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan, unless otherwise specified
“PRC Legal Adviser”	Commerce & Finance Law Offices
“Price Determination Date”	the date on which the Offer Price will be fixed, which is expected to be on or before Tuesday, 1 September 2015

DEFINITIONS

“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 12,500,000 new Shares (subject to reallocation) initially being offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriter”	the underwriter of the Public Offer Shares whose names are set out in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer entered into by our Company, the executive Directors, the Controlling Shareholders, the Sponsor and the Public Offer Underwriter relating to the Public Offer, details of which are set forth in the section headed “Underwriting” in this prospectus
“Reorganisation”	the corporate and business reorganisation in connection with the Listing as set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, pursuant to which our Company became the holding company of our various subsidiaries
“RFP”	requests for proposal
“SBHL”	Smart Builder Holdings Limited, a limited liability company incorporated in the BVI on 10 November 2014 and a wholly-owned subsidiary of our Group
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGL”	Starcross Group Limited, a limited liability company incorporated in the BVI on 10 November 2014 and was owned as to 75% by Mr. Leong and 25% by Ms. Chew as at the Latest Practicable Date
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 13 August 2015, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Sole Bookrunner”	Pacific Foundation Securities Limited, a corporation which is licensed to conduct type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO
“Sponsor”	Ample Capital Limited, a corporation which is licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“SZ Meike”	深圳市美刻設計工程有限公司 (Shenzhen Meike Design and Construction Company Limited*), a company incorporated in the PRC on 28 September 2011 with limited liability. It was one of our top five largest suppliers for the year ended 30 September 2014 and the five months ended 28 February 2015 and an Independent Third Party. For further details of such company, please refer to the section headed “Directors and Senior Management — Potential Competing Interests” in this prospectus
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“TM Design”	Tung Mei Design (H.K.) Holding Co. Limited (香港同美設計集團有限公司), a company incorporated in Hong Kong on 10 June 2010 with limited liability. It was one of our five largest suppliers for the year ended 30 September 2014 and a connected person of our Group. For further details of such company, please refer to the section headed “Directors and Senior Management — Potential Competing Interests” in this prospectus
“Track Record Period”	the three years ended 30 September 2014 and the five months ended 28 February 2015
“Underwriters”	the Public Offer Underwriter and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement

* For identification purpose only

DEFINITIONS

“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Euro”	Euro, the lawful currency used by the Institutions of the European Union and is the official currency of the eurozone, which consists of 18 of the 28 member states of the European Union
“HK\$” and “cent”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“sq. ft.”	square feet
“%”	per cent.

In this prospectus:

- Certain amounts set out in this prospectus have been rounded. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.
- For ease of reference, certain terms relating to laws or regulations in the PRC have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency between the Chinese terms mentioned in this prospectus and their English translation, the Chinese terms shall prevail.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state our Company's belief, expectations, or intentions for the future. The words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "project", "seek", "should", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

These forward-looking statements reflect the current view of our Company with respect to future events and are, by their nature, subject to significant risks, assumptions and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing business;
- changes in policies, legislation, regulations or practices in those countries or territories in which we operate that may affect our business operations;
- our financial condition and results of operations;
- changes in economic conditions and competitions in the area in which we operate, including a downturn in general economy;
- the regulatory environment and industry outlook in general;
- future developments in the competition markets of our industry and actions of our competitors;
- exchange rate fluctuations;
- catastrophic losses from fires, floods, wind;
- other factors beyond our control.

Subject to the requirements of the Listing Rules and applicable laws, we do not have any obligation nor do we intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these

FORWARD-LOOKING STATEMENTS

and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should consider carefully all the information set out in this prospectus and, in particular, the risks and uncertainties described below before making an investment in the Shares. The occurrence of any of the following events could harm us and our Group's business, financial condition or results of operations could be materially and adversely affected by any of these risks. If these events occur, the trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on several major Group Customers who do not have long-term commitments with us and may terminate their relationship with us

For the three years ended 30 September 2014 and the five months ended 28 February 2015, our five largest Group Customers mainly include Hong Kong blue chip listed property developers and Hong Kong listed companies. All of our five largest Group Customers are Independent Third Parties. Our aggregated sales to our five largest Group Customers by group level accounted for approximately 93.7%, 85.6%, 90.7% and 94.9% of our Group's revenue respectively. The total number of Group Customers that our Group had in each of the three years ended 30 September 2014 and the five months ended 28 February 2015 was 11, 13, 8 and 8, respectively. Although we will continue to endeavour to diversify and expand our customer base, we expect that our present major Group Customers will continue to account for a relatively large percentage of our sales in the coming years. Throughout the Track Record Period, our Group Customers that have had a relationship with us for over seven years contributed to approximately 93.8%, 83.7%, 84.8% and 82.3% of our revenue for the three years ended 30 September 2014 and the five months ended 28 February 2015, respectively. There can be no assurance that any of our major Group Customers will continue to award us new contracts in the future or that any income generated from these contracts will be maintained or increase in the future. Any unexpected cessation of, or substantial reduction in, the volume of business from any of the major Group Customers could adversely affect our business and financial performance.

We are highly affected by the development and growth in the property development industry as well as the future growth of one-stop integrated interior design projects. Our business is highly correlated with the performance of our Group Customers' industry, and the demand for our services from our Group Customers could be volatile. Any change in market expectation on property development industry may have a material adverse effect on our business, results of operations, financial condition and prospects

We offer one-stop integrated interior design solutions mainly to Group Customers which are major listed property developers in Hong Kong with a prime focus on residential property projects. The demand for our services is driven by the need of stylish show flats to lure potential buyers to buy residential properties being developed by our Group Customers. If there is any change in market expectation on the property development industry, or there is a slowdown in the buying of residential properties by end users, demand in our services may be affected. Accordingly, our results of operations and financial performance are affected by the market expectation on and prospects of the property

RISK FACTORS

development industry. In the event that the development and growth of property development industry is not sustained or slows down, or there is any change in market expectation on our Group Customers' industry, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Furthermore, the integrated interior design industry exists because customers choose to outsource certain DFD functions. If our Group Customers decide to undertake the DFD projects internally, this may result in fewer projects outsourced to one-stop integrated interior design solution providers such as ours. In such circumstances, a reduction in available projects may adversely affect the future growth in our revenue and our operations.

A possible slowdown in Hong Kong property market may adversely affect our business, results of operations and financial performance

There have been increasing concerns over the sustainability of the property market growth in Hong Kong due to (i) the possibility for an increase in interest rate, (ii) increasing housing supply, and (iii) weaker economic momentum in certain sectors of Hong Kong economy.

While our business should be concentrated in primary market compared to the resale market, *ceteris paribus*, the volatility of the corresponding secondary property market prices would likely result in an impact for residential interior design. Therefore, a slowdown in property market in Hong Kong may adversely affect our business, results of operations and financial performance.

In general if the property market slumps, we expect that the overall residential interior design services market in Hong Kong will follow suit. However, specific to private residential interior design services, developers may invest more in each show flat to attract potential buyers and position these properties as luxury residences resulting in the possibility that show flat interior design services may present a slightly different trend to overall residential interior design services.

Delays in the completion of projects may subject us to compensation or liquidated damages and our reputation may be detrimentally affected

The pre-estimated time required for completing a project, in particular one involving fit out works, can be materially affected by numerous factors beyond our control. These include shortage of and unforeseen increase in costs of labour and materials, acts of gods, accidents, etc.. If we cannot take remedial actions in a timely manner, such as finding suitable alternative subcontractors, sourcing and replacing items of decoration to our customers of equivalent quality and price, locating additional manpower to meet unexpected contingencies, any of these can give rise to delays in completion of works, or even unilateral termination of projects by our Group Customers in the more serious case. If our Group is unable to manage, coordinate, complete and deliver our projects in accordance with the agreed delivery schedule, our Group may be liable to pay penalty, which may be calculated on a daily basis or on an one-off basis. Our Group Customers may deduct such penalty from the service fee payable to our Group, or if the service fee is insufficient to cover the penalty, they can make claim against our Group. In any of these events, our reputation and financial results can be detrimentally affected.

RISK FACTORS

We rely on our ability to successfully meet customers' and end users' preference by delivering our interior design solutions in a timely manner

We are principally engaged in the provision of one-stop integrated interior design solutions, which include (i) design, (ii) fit out, and (iii) decoration. Our Directors believe that our success is, to a significant extent, attributable to our ability to capture the market trend in design and our responsiveness to changes in customers' preference, which in turn is affected by the end users' preference. Accordingly, our interior design should target both our customers, who are primarily property developers, and end users, both of whose preferences vary from individual to individual. Given the highly subjective nature of the one-stop integrated interior design business and the rapid change in the interior design market trend, there is no assurance that our one-stop integrated interior design solutions will continue be able to capture, anticipate or respond timely to our customer's and/or end users' preference, and introduce appealing and commercially viable design, our business and results of operations may be adversely affected.

We rely on our management team in operating our business

Our success relies, to a significant extent, on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite expertise. Our management team, comprising our executive Directors and our senior management, on average has more than 10 years of experience in the interior design industry and our Directors believe that we possess in-depth knowledge and insightful understanding of the culture and preference of our customers which are mainly property developers. In particular, we rely on Mr. Leong and Ms. Chew, our executive Directors, who are mainly responsible for sourcing of projects, and our senior management team, which is mainly responsible for overseeing our Group's operation. Further information about our management's experience is set out in the section headed "Directors and Senior Management" in this prospectus. If any of our executive Directors or our senior management ceases to be involved in the management of our Group in the future and our Group is unable to find suitable replacement in a timely manner, there could be an adverse impact to the business, results of operations and profitability of our Group.

Negative publicity or damage to our business reputation may have potential adverse impact on our business

Our Group heavily relies on our reputation and the reputation of our team as we generally obtain our contracts through customers who have experience and understanding in our quality of design and works. Our Directors believe that in the interior design industry in Hong Kong, our Group has a good reputation of completing projects on time and to the satisfaction of the customer. Negative publicity associated with our Group and/or our team could result in the loss of customers or lead to increasing difficulty in securing new projects based on our Group's reputation. If any customer who is not satisfied with our work, whether justified or not, raises any complaint regarding our Group which comes to the attention of the public, our existing or potential customers, the business, brand and reputation of our Group may be adversely affected, which will in turn, adversely affect our growth prospects and financial condition.

RISK FACTORS

We face keen competition in our industry in Hong Kong and in the PRC

During the Track Record Period, we primarily focused on the residential property segment in Hong Kong and the PRC. As such, our Group competes with other one-stop integrated interior design companies primarily in Hong Kong and the PRC that provide services similar to that of our Group. The interior design industry, either in HK or the PRC, is highly competitive. In order to survive, market participants have to, not only come up with new creative designs and skills, but also cut their prices and sacrifice their profit in order to successfully secure projects. In addition, given that the industry is not labour intensive and does not require a large amount of capital to start up a new business in the aforementioned regions, we believe that the entry barrier to our business is low and accordingly we may face keen competition in the future if there are new comers who are able to offer services of higher quality at lower prices. If we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be materially and adversely affected.

We rely on our subcontractors to complete our projects and their compliance of relevant laws and regulations

During the execution stage of our projects, we engage subcontractors to provide us with fit out services for all of our projects. As at the Latest Practicable Date, we have established a list of approved subcontractors that we have worked with over the years. We have maintained a good relationship with our subcontractors though we do not enter into any long-term contract with these subcontractors and engage subcontractors on a project by project basis. To the best knowledge of our Directors, it is not common industry practice to enter into long term contracts with subcontractors. As such, the availability of suitable subcontractors may not always be readily available when our projects require their services. If a subcontractor is unavailable or we fail to find suitable subcontractors to carry out certain works on similar terms and pricing, our ability to complete our projects may be affected. If a subcontractor's services do not meet our standards, the quality of the project may be affected which in turn may harm our reputation and expose us to litigation and claims for damages.

In addition, our subcontractors are subject to charges in the event of violation of safety, environmental and/or employment laws and regulations. These may affect their ability to renew, and in the more serious case, may even result in revocation of, their licences. If this happens in our projects, we will have to locate and appoint another subcontractor(s) for replacement at an additional cost. This may also lead to a lower profit margin.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may be subject to prosecutions. For instance, under the Immigration Ordinance, if our subcontractor employs an illegal immigrant on a project work site, our Group may be found to have committed an offence and be fined. In addition, we may be liable to claims for losses and damages, if such violations cause any personal injuries/death or damage to properties.

RISK FACTORS

Further, pursuant to the Employment Ordinance, a principal contractor or a main contractor and every tier of subcontractors shall jointly and severally be liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Any failure by our subcontractors to make payment to pay their employees in a timely manner may have an adverse effect on our future liquidity position.

Moreover, under PRC laws all subcontracting works must be subcontracted to parties which have the relevant qualifications and the requisite licences. For instance, our fit out subcontractors are required to obtain a Project Design and Construction Qualification Certificate from the Ministry of Housing and Urban-Rural Development (“**MOHURD**”, 中華人民共和國住房和城鄉建設部) or its competent sub-divisions. Such certificate specifies the amount of the project that a subcontractor may undertake. Further, our subcontractors are classified into different grades according to the Grade Standards for Design and Construction of Building Decoration Qualification (《建築裝飾裝修工程設計與施工工程資質標準》) and there are limits which restrict the amount and scope of fit out projects they can undertake. If any of our subcontractors that we have subcontracted works to do not have the relevant qualifications and requisite licence, we as the party subcontracting the works may be subject to confiscation of the illegal gain under the relevant agreements, and penalties of not less than 0.5% and up to 1% of the contract sum under the relevant agreements. If such penalties are imposed on our Group, this may have a material adverse effect on our financials. In addition, some licences, permits and qualifications are subject to the continued compliance with various standards relating to among other things, financial capability, size of business, reputation, expertise, management and safety and there is no assurance that our subcontractors will continue to meet such standards from time to time. If there is any circumstance which result in a suspension, downgrading or demotion of our subcontractor’s qualifications and we cannot locate another subcontractor to provide the fit out services in a timely manner and at a comparable costs, we may not be able to deliver our services by the agreed time, our business, financial position and reputation can be adversely affected as a result.

Our Group has records of certain non-compliance of regulatory tax requirements of Hong Kong and Macau

Members of our Group had certain non-compliance with tax registration and filing requirement in Hong Kong and Macau, details of which are set out in the section headed “Business — Legal Compliance and Risk Management” in this prospectus. There is no assurance that the relevant authorities would not take any enforcement action against our subsidiaries and their respective directors in relation to the non-compliance. In the event that such enforcement action is taken, and/or if our Controlling Shareholder(s) fail to indemnify us in full, our reputation, cash flow and results of operations may be adversely affected.

RISK FACTORS

The trend of our historical financial information may not necessarily reflect our financial performance in the future

For each of the three years ended 30 September 2014 and the five months ended 28 February 2015, our Group's revenue amounted to approximately HK\$270.3 million, HK\$183.4 million, HK\$113.8 million and HK\$56.2 million, respectively and our Group's net profit amounted to approximately HK\$40.1 million, HK\$23.3 million, HK\$23.4 million and HK\$7.2 million, respectively. Such trend of historical financial performance of our Group is an analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend to a large extent on our ability to secure new contracts and to control our costs and expenditures. There is no assurance that our Group could achieve the same or higher level of financial performance as we did during the Track Record Period in the future.

The trend of our historical gross profit margin may not necessarily reflect our financial performance in the future

For each of the three years ended 30 September 2014 and the five months ended 28 February 2015, our Group's gross profit margin amounted to approximately 24.6%, 23.3%, 38.5% and 37.2%. Such trend of historical financial performance of our Group is an analysis of our past gross profit margin only and does not have any positive implication or may not necessarily reflect our gross profit margin in the future which will depend to a large extent on our ability to secure new DD projects with higher gross profit margin. If we undertake more DFD projects with lower profit margin, then our gross profit margin will be adversely affected.

Please see the section headed "Financial Information — Principal Combined Statements of Profit or Loss Line Items - Gross Profit" in this prospectus for further details on gross profit margin.

Our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions around the world, in particular in the PRC and Hong Kong. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect local economies, infrastructure and livelihoods. Some regions in the PRC, including the cities where we operate, and Hong Kong, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("SARS"), Middle East Respiratory Syndrome ("MERS"), H5N1 avian flu, Ebola, as well as influenza caused by H7N9 and H3N2 or the human swine flu, also known as influenza A (H1N1) virus. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC and Hong Kong. A recurrence of SARS or an outbreak of any other epidemics in the PRC and Hong Kong, such as the H5N1 avian flu, MERS or the human swine flu, could interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Risk of uncertainties of our future plan

Our Group's future plans as described in the section headed "Future Plans and Use of Proceeds" in this prospectus is based on current intentions and assumptions. The future execution may be subject to capital investment and human resources constraints. Furthermore, our expansion plan may also be hindered by other factors beyond our control, such as the general market conditions, the economic and political environment of Hong Kong and the PRC and the world. Therefore, our expansion plan may not materialise in accordance with the timetable or at all.

We are exposed to the credit risk of and may experience increasing balance of trade receivables. Further, there is no assurance that our customers will agree with a project's progress and pay our progress payment on time and in full, or that retention money is fully released to us after project completion or the expiry of any defect liability period

We are subject to the credit risks of our customers and our liquidity is dependent on our customers making prompt payment on billings for work done by us. A large portion of our Group's income is billed on a progress payment method. However, the progress of a project is quite subjective and our customer may not agree to our estimation of the project's progress. If our client does not agree with us the progress of the project then they may refuse to pay us as per an agreed payment schedule. For projects awarded to us by our property developer clients, a portion of the contract value, usually around 5% to 10% of the contract sum of our projects, may be withheld by our customers as retention money which will generally be released after project completion or the expiry of any defect liability period. There can be no assurance that progress payment or retention money is paid to us on time and in full. Any failure by our customers to pay us on time and in full may have an adverse effect on our future liquidity position.

We may experience a deterioration in financial performance for the financial year ending 30 September 2015 which is mainly attributable to the Listing expenses

The financial results of our Group for the financial year ending 30 September 2015 would be affected by the non-recurring Listing expenses. Based on the Offer Price of HK\$0.925 (being the mid point of the Offer Price range stated in this prospectus), the total expenses for the Listing are estimated to be approximately HK\$23.4 million, of which approximately HK\$9.3 million is directly attributable to the issue of new Shares to the public and to be accounted for as a deduction from equity and approximately HK\$14.1 million is to be charged to profit or loss of our Group. The Listing expenses of approximately HK\$3.6 million were charged to the profit or loss of our Group for the five months ended 28 February 2015, and approximately HK\$10.5 million are expected to be charged to the profit or loss of our Group for the remaining period of the year ending 30 September 2015. The amount of Listing expenses is a current estimate for reference only and the final amount to be recognised to the combined statements of profit or loss and other comprehensive income of our Group for the financial year ending 30 September 2015 is subject to changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the financial year ending 30 September 2015 would be significantly affected by the estimated Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

RISK FACTORS

Shortage in skilled workers and increase in labour costs could increase our operational cost and affect our profitability

We pride ourselves on delivering quality work under time pressure. In delivering our service, we rely on our subcontractors in providing a range of services, in particular our fit out services. Since fit out business is labour intensive in nature, we will need to maintain a stable supply of skilled workers at a competitive price. In the event of labour shortages, we may have difficulties recruiting or retaining skilled workers or may face increasing labour costs. Competition for qualified personnel is substantial and labour costs have been increasing generally, in particular in the PRC, and we cannot assure you that we can retain and attract sufficient subcontractors on commercially reasonable terms, or at all. Any failure to attract qualified and skilled workers at reasonable cost and in a timely manner could reduce our competitive advantages, undermining our ability to expand and our growth in revenue and profits, and affect our profitability.

Under PRC laws any subcontracting of fitting out works must be approved by the property developers and carried out by parties having the requisite qualifications

Pursuant to the Measures for Administration of the Determination, Investigation and Handling of Breaches of the Laws, such as the Transfer of Contracts and Illegal Subcontracting in connection with Construction Works (Trial Implementation) (《建築工程施工轉包違法分包等違法行為認定查處管理辦法(試行)》) issued by the MOHURD, any obligations under a contract for fit out services cannot be partially subcontracted to third parties without first obtaining the approval of the property developer. During the Track Record Period, we have partially subcontracted out work without obtaining the written approval by the property developer under one of our PRC projects due to inadequate understanding of the relevant PRC laws and regulations. We may be considered to have illegally subcontracted work and as advised by our PRC Legal Adviser, the possible legal consequences include confiscation of the illegal gain under the agreement, i.e. being the portion of the revenue of the project generated in relation to our fitting out works of approximately HK\$15.9 million (our revenue derived from such project which commenced before Track Record Period was approximately HK\$1.1 million and HK\$0.4 million for the year ended 30 September 2012 and 2013 respectively), and a penalty between 0.5% and up to 1% of the contract sum of the relevant agreement, i.e. approximately HK\$80,000 and HK\$159,000. We do not possess the relevant licences to carry out fit out works in the PRC and therefore all of our fit out works are subcontracted to our fit out subcontractors. We cannot guarantee that a property developer will allow us to subcontract our fit out works in the future. If we are unable to obtain the approval of the property developer to subcontract such fit out works, we will need to undertake such fit out works ourselves. If, however, we are unable to successfully complete the fit out works pursuant to a contract, we may be subject to claims by our customers for breach of contracts and potential financial penalties which may have a material adverse effect on our financials. Further, if any of our subcontractors that we have subcontracted works to do not have the relevant qualifications and requisite licence, we as the party subcontracting the works may be subject to penalties. Please refer to the paragraph headed “We rely on our subcontractors to complete our projects and their compliance of relevant laws and regulations” above for further details.

The pricing for our projects is based on estimated time and costs. However, due to factors beyond our control, more time and/or costs may be incurred in the actual implementation of a project and thus affecting our profitability

Factors such as shortage and cost escalation of materials and labour, additional variations to the plans requested by our customers or because of technical needs, disputes with subcontractors,

RISK FACTORS

accidents and other unforeseen problems and circumstances may affect the time taken and the costs actually involved in completing our projects. Any one of the above factors may give rise to delays in completion of works or costs overruns or even unilateral termination of projects by our customers. As a result, our results may be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY

We have to, or procure our subcontractors to, comply with a number of applicable construction, safety, environmental protection laws, regulations and requirements to perform our business operation

In order to perform our business operation, we have to, or procure our subcontractors to, comply with a number of construction, safety, building and environmental protection laws, regulations and requirements in Hong Kong, the PRC and Macau. In the event that we or our subcontractors fail to meet the applicable construction, safety, environmental protection laws, regulations and requirements, we or our subcontractors may be subject to fines or required to make remedial measures which may in turn have an adverse effect on the operations and financial condition of our Group. In addition, there is no assurance that the construction, safety, environmental protection laws, regulations and requirements will not be changed in the future. Should there be any change to the construction, safety, environmental protection laws, regulations and requirements applicable to us or our subcontractors, we may incur additional cost in complying with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect the profitability of our Group.

RISKS RELATING TO CONDUCTING OPERATIONS IN HONG KONG

Recent measures of the Hong Kong Government may have material adverse effect on the demand of our service

The Hong Kong Government has introduced certain measures which may curb speculation or reduce transaction volume in the property market. For instance, the imposition of special stamp duty and buyer's stamp duty has increased the transaction cost of purchases of residential properties and may deter potential property buyers and investors from acquiring residential properties. Efforts by the Hong Kong Government to slow down the pace of growth of the property market in Hong Kong may negatively affect the market and consequently impede the growth of the local property development industry. Measures that were introduced and those that may be introduced by the Hong Kong Government may lead to severe changes in market conditions and decreased demand for, properties in Hong Kong, and in turn affect the property development market. Any weakening in the Hong Kong property development sector could affect the demand for our services and in such an event adversely affect our financial condition and results of operations.

Economic, political and social considerations

Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for a significant portion of our Group's total revenue during the Track Record Period. If there is a downturn in the economy of Hong Kong, our

RISK FACTORS

results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong. However, we are not in any position to guarantee the "one country, two systems" principle and the level of autonomy would be maintained as currently in place. Since our primary operations are substantially located in Hong Kong, any change of Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, thereby affecting our results of operations and financial positions.

Recently, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major intersections, causing major disruption to traffic and trade in the affected areas. Any political and social instability in Hong Kong, if significant and prolonged, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Devaluation of the Hong Kong dollars could affect our financial conditions and results of operations

Since 17 October 1983, Hong Kong dollars have been pegged to the U.S. dollars at a rate of HK\$7.80 to US\$1.00. There is no indication that the Hong Kong Government intends to cancel or change the pegged exchange rate arrangements. However, in the event that such arrangements shall change or the valuation of U.S. dollars shall become volatile in the international currency markets, valuation of Hong Kong dollars may be significantly affected or may even experience devaluation. At present, substantial part of our revenue is generated in the currency of Hong Kong dollars and part of our expenses and/or certain fitting out materials imported from other countries is incurred in currencies other than Hong Kong dollars. In case of devaluation of Hong Kong dollars by whatever reason, our financial performance and liquidity positions may be adversely affected and our expenses incurred may drastically increase as a result.

Our business may be adversely affected by further increases in interest rates and the availability of mortgage financing

An increase in interest rates and any further increases in interest rates may significantly increase the cost of mortgage financing, thus affecting the affordability of properties in Hong Kong. The Hong Kong Government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. If the availability or attractiveness of mortgage financing is reduced or limited that affect adversely the property market, our business, liquidity and results of operations could be adversely affected.

RISK FACTORS

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Economic, political and social considerations

A significant amount of our Group's revenue is generated from projects located in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social conditions and government policies in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the level of government involvement, the level of economic development, the PRC's GDP growth rate and foreign exchange controls.

The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. Nevertheless, a substantial portion of productive assets in the PRC are still owned by the PRC Government. Many of the reforms are unprecedented or experimental, and are expected to be modified from time to time. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC Government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Moreover, we cannot assure that the policy of economic reform and the direction of reform towards market-oriented economy in the PRC will continue in the future. A variety of policies and other measures that could be taken by the PRC Government to regulate the economy could have a negative impact on our business, including the introduction of measures to control inflation or reduce growth, changes in the interest rate or method of taxation. Our business, financial condition and results of operations may be adversely affected by the PRC Government's economic, political and social policies and regulations. The PRC legal system is less developed than other countries and laws may not be interpreted or enforced in a consistent manner. The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Depending on the government agency or how an application or case is presented to such an agency, we may receive less favourable interpretations of laws and regulations than our competitors.

Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. In addition, the introduction of new PRC laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have a material adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

We are susceptible to changes in governmental policies relating to the real estate industry in the PRC

Our business and level of profitability in the PRC is subject to favourable governmental policies relating to real estate industry, inter alia, the residential property development, in the PRC. This is particularly the case in the cities where our projects are located. As we focus on the interior design for residential show flats, if the property development sector, in particular the residential property development sector, in the PRC performed unsatisfactorily, it may have a material adverse effect on us. The PRC property development sector is affected by many factors, including changes in the PRC's social, political, economic and legal environments, changes in the PRC Government's fiscal and monetary policy. In particular, the PRC Government exerts considerable direct and indirect influence on the development of the property sector by imposing industry policies and other economic measures, such as control of foreign exchange, taxation, financing available and foreign investment. Such austerity measures can lead to a slowdown in the development and growth of the property development sector in the PRC and may materially and adversely affect our business, results of operation and financial condition.

Foreign exchange rate fluctuations

Throughout the Track Record Period, our revenue was generated from Hong Kong, the PRC and Macau as all of the projects we undertook during the Track Record Period were located in Hong Kong, the PRC and Macau. Further, we derived a substantial part of revenue from the PRC and incurred a substantial part of cost in Renminbi. In view of the growth potential in the PRC market, we intend to increase resources to further expand into the PRC market. For further details of our future plans to expand into the PRC market, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. Our Group currently does not have a foreign currency hedging policy. As such, our Group may be increasingly exposed to higher foreign exchange risk of RMB going forward. For instance, if there is any fluctuation in Renminbi, these fluctuations may result in exchange losses or gains or increases or reductions in our revenue, receivables, cost and payables after translation into Hong Kong dollars. Besides, the appreciation of Renminbi may lead to increase of our cost of sales, which may in turn affect our competitiveness against overseas competitors. To the extent that we need to convert the proceeds of the Share Offer and future financing into Renminbi for our PRC operations, appreciation of the Renminbi against the Hong Kong dollars would have an adverse effect on the purchasing power of the Renminbi amount we would receive from the conversion.

RISKS RELATING TO CONDUCTING OPERATIONS IN MACAU

A cyclical fluctuation in the Macau market, in particular the property development industry, will affect our financial performance

During the Track Record Period, we completed certain projects which were in Macau. A downturn in the Macau construction industry is likely to have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables.

RISK FACTORS

Economic, political and social considerations

Conducting services business in Macau involves certain risks not typically associated with investments in companies with operations outside of Macau. Such risks include those relating to changes in Macau's economic and political conditions, changes in the policies of the Macau Government, changes in laws of Macau or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation such as interest rate increases, and changes in the rates or method of taxation.

For the three years ended 30 September 2014 and the five months ended 28 February 2015, we derived approximately 8.7%, 3.8%, 0.5% and nil of our revenue from projects carried out in Macau, respectively. As such, if any of the general economic conditions, employment and job market conditions, in particular the residential property development sector performs unsatisfactorily, our results of operations may be adversely affected.

Our business could be affected by the limitations of the Pataca exchange markets

Part of our revenue from Macau is denominated in Patacas, the lawful currency of Macau. Although currently permitted, we cannot assure you that the Patacas will continue to be freely exchangeable into Hong Kong dollars. Also, because the currency market for Patacas is relatively small and undeveloped, our ability to convert large amounts of Patacas into Hong Kong dollars over a relatively short period may be limited. As a result, we may experience difficulty in converting Patacas into Hong Kong dollars.

RISKS RELATING TO THE SHARE OFFER

Concentration of shareholding

Upon completion of the Share Offer and the Capitalisation Issue, our Controlling Shareholders will beneficially own approximately 75% of the issued Shares, without taking into account the Shares that may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. Hence, our Controlling Shareholders will be able to have an overwhelming control or influence on matters which require Shareholders' approval, including election of Directors and approval of our Company's major and very substantial transactions. Subject to the relevant provisions of the Listing Rules, the Companies Law and other laws of the Cayman Islands, our Controlling Shareholders can also exercise their voting power to suppress any action by the minority Shareholders or to support matters which require approval by simple majority votes.

Dilution effect

We may issue additional Shares upon exercise of the options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

RISK FACTORS

In addition, we may need to raise additional funds in the future to finance business expansion or new development plans and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders in our Company may be reduced, and they may experience subsequent dilution in the percentage ownership, and/or (ii) such newly issued securities may have preferred rights, options or privileges superior to those of the Shares of the existing Shareholders.

Sales of substantial amounts of Shares in the public market

The Shares held by our Controlling Shareholders are currently and will be subject to certain lock-up restrictions, details of which are set out in the section headed “Underwriting — Undertakings by the Controlling Shareholders” in this prospectus. While we are not aware of any plans of any of such persons, individually or collectively, to dispose of a significant amount of their interests in our Company after completion of the Share Offer, we cannot provide any assurance that any of them will not dispose of any interest they own upon or after expiration of the applicable lock-up period. Sale of substantial amounts of Shares in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of the Shares.

No prior public market for the Shares and an active trading market may not develop

Prior to the Share Offer, there has not been a public market for the Shares. We cannot assure that an active or liquid trading market will develop after Listing or be sustained if developed. The Offer Price will be determined through negotiation between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters), and it may not necessarily be indicative of the market price of the Shares after the completion of the Share Offer. Liquidity, trading volume and the market price of the Shares may be volatile. The market price and trading volume of the Shares may be highly volatile. Factors such as variations in our turnover, earnings and cash flow, changes in the analysis and recommendations of securities analysts, announcements of new technologies, strategic alliances or acquisitions made by us or our competitors, industrial or environmental accidents we suffered, loss of key personnel, changes in ratings by credit rating agencies, litigation or fluctuations in the market prices for our products or our raw materials, the liquidity of the market or the Shares, the general market sentiment regarding the integrated interior design industry could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance or prospects of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Future share market conditions may change

There are risks involved with any investment in listed shares. The price of the Shares may rise or fall depending upon a range of factors and stock market conditions, which are unrelated to our financial performance. Movements on international stock markets, local interest rates and exchange rates, domestic and international economic and political conditions, as well as government, taxation and other policy changes may affect the stock market.

RISK FACTORS

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Statistics and industry information may come from various sources which may not be reliable

Certain facts, statistics and data presented in the section headed “Industry Overview” and elsewhere in this prospectus relating to the interior design industry have been derived, in part, from various publications and industry-related sources prepared by government departments or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. Neither our Group, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should only rely on the information contained in this prospectus and the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which comprises the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

The Listing is sponsored by the Sponsor. The Public Offer will be fully underwritten by the Public Offer Underwriter under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters). The Share Offer is managed by the Sole Bookrunner. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Bookrunner (for itself and on behalf of the other Underwriters) and our Company on or around Tuesday, 1 September 2015 (Hong Kong time) or such later time as may be agreed between the Sole Bookrunner (for itself and on behalf of the other Underwriters) and our Company. If, for any reason, the Offer Price is not agreed among our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters), the Share Offer will not proceed.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the U.S., except in compliance with the relevant laws and regulations of such jurisdiction.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or currently proposed to be sought in the near future.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed Tricor Investor Services Limited, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to Tricor Investor Services Limited in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles of Association;

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained in Hong Kong by our Company's branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands. Dealings in Shares registered in our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and on the relevant Application Forms.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trading transaction.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All necessary arrangements have been made for the Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 8 September 2015.

The Shares will be traded in board lots of 4,000 Shares each.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail and vice versa. The English translation of the names in Chinese or another language which are marked with “*” and the Chinese translation of names in English which are marked with “*” are for identification purpose only.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Leong Hing Loong Rudoff (梁興隆)	Unit D, 1/F Hatton Place No. 1A Po Shan Road Mid-Levels Hong Kong	Australian
Ms. Chew Christina Mooi Chong (周梅莊)	Unit D, 2/F Hatton Place No. 1A Po Shan Road Mid-Levels Hong Kong	Australian
Mr. Shih Steven Chun Ning (施振寧)	Flat D, 11/F Broadview Terrace 40 Cloud View Road North Point Hong Kong	Canadian
<i>Independent Non-executive Directors</i>		
Mr. Tang Hamilton Ty (唐維鐘)	5/F, Magazine Court 5 Magazine Gap Road Mid-Levels Hong Kong	Chinese
Mr. Lee Frank King-ting (李敬天)	Suite No. 3722 37/F, Sutton Court Gateway Apartments Harbour City Tsimshatsui Hong Kong	Chinese
Mr. Ho Hin Yip (何衍業)	Flat A, 19/F, Block 2 Scenecliff 33 Conduit Road Mid-Levels Hong Kong	Chinese

Further information on our Directors is disclosed in the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

Sole Bookrunner

Pacific Foundation Securities Limited
11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

Joint Lead Managers

Pacific Foundation Securities Limited
11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

Ample Orient Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

Co-Managers

CNI Securities Group Limited
10/F, Sun's Group Centre
200 Gloucester Road
Wan Chai, Hong Kong

Supreme China Securities Limited
Room F, 17/F
Hang Seng Tsuen Wan Building
289 Sha Tsui Road
Tsuen Wan, Hong Kong

Kingsway Financial Services Group
7th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Placing Underwriters

Pacific Foundation Securities Limited

11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

Ample Orient Capital Limited

Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

CNI Securities Group Limited

10/F, Sun's Group Centre
200 Gloucester Road
Wanchai, Hong Kong

Supreme China Securities Limited

Room F, 17/F
Hang Seng Tsuen Wan Building
289 Sha Tsui Road
Tsuen Wan, Hong Kong

Kingsway Financial Services Group

7th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

Public Offer Underwriter

Pacific Foundation Securities Limited

11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Robertsons

57/F., The Center
99 Queen's Road Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices

27C Shenzhen Te Qu Bao Ye Building
6008 Shennan Road
Shenzhen
518034 The PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Macau law:

Rui Afonso Lawyers' Office & Notaries

Suites B, C&D, 4th Floor

Dynasty Plaza Building

Nos. 411 to 417, Alameda Dr. Carlos D'Assumpção

Macau

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

**Legal advisers to the Sponsor and
the Underwriters**

As to Hong Kong law:

Francis & Co.

in association with

Addleshaw Goddard (Hong Kong) LLP

802-804 Citibank Tower

3 Garden Road

Central

Hong Kong

Auditors and reporting accountants

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31/F, Gloucester Tower, The Landmark

11 Pedder Street

Central, Hong Kong

Property valuer

**Cushman & Wakefield Valuation Advisory Services
(HK) Limited**

9/F, St. George's Building

2 Ice House Street

Hong Kong

Compliance adviser

Ample Capital Limited

Unit A, 14th Floor

Two Chinachem Plaza

135 Des Voeux Road Central

Central, Hong Kong

Receiving bank

Standard Chartered Bank (Hong Kong) Limited

15/F, Standard Chartered Tower

388 Kwun Tong Road

Kowloon

Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office, principal place of business in Hong Kong	21st Floor, Wyndham Place No. 44 Wyndham Street Central, Hong Kong
Company's website	www.lchk.hk (<i>information contained in this website does not form part of this prospectus</i>)
Company secretary	Mr. Cheng Chun Shing, FCPA, ACA Flat F, 66/F, Tower 1 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong
Authorised representatives	Mr. Shih Steven Chun Ning Flat D, 11/F Broadview Terrace 40 Cloud View Road Hong Kong Mr. Cheng Chun Shing Flat F, 66/F, Tower 1 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong
Audit committee	Mr. Ho Hin Yip (<i>Chairman</i>) Mr. Tang Hamilton Ty Mr. Lee Frank King-ting
Remuneration committee	Mr. Tang Hamilton Ty (<i>Chairman</i>) Mr. Lee Frank King-ting Mr. Leong Hing Loong Rudoff

CORPORATE INFORMATION

Nomination committee

Mr. Lee Frank King-ting (*Chairman*)
Mr. Tang Hamilton Ty
Mr. Leong Hing Loong Rudoff

Cayman Islands principal share registrar and transfer office

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Public Bank Centre
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INDUSTRY OVERVIEW

The information that appears in this Industry Overview has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Group. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by our Group, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and neither they nor Euromonitor give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

EUROMONITOR REPORT

We commissioned Euromonitor to conduct an analysis of, and to report on, the residential interior design in Hong Kong and the PRC. A total fee of US\$81,000 (equivalent to approximately HK\$628,300) was paid to Euromonitor for the preparation of the report.

Euromonitor, founded in 1972, is a global research organisation and private independent provider of business intelligence on industries, countries and consumers. The report of Euromonitor has been compiled after thorough and diligent research conducted by Euromonitor's Singapore and Shanghai Office. The market research process was undertaken through a top-down central research and bottom up intelligence to present a comprehensive and accurate picture of the residential interior design market in Hong Kong and the PRC. Euromonitor's methodologies involved:

- Detailed secondary research, which involved reviewing published sources including national statistics and official sources such as the International Monetary Fund, Census and Statistics Department of Hong Kong, National Bureau of Statistics of China, specialist trade press and associations such as Hong Kong Interior Design Association, CBDA and independent research reports. Where national statistics are quoted in this review, these will be taken from the most updated published official statistics, where available.
- Macro-economic information, where sourced from Euromonitor's database, are developed by a team of specialists focused on global economies, consumer trends, demographics, income and expenditure, business environments, technology and communications, industry, energy and environment. Sources tapped on for the macro-statistics included a range of national and international secondary sources.
- Primary research which involved interviews with a sample of industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.

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- Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- Review and cross-checks of all sources and independent analysis to build all final estimates including the size, shape, drivers and future trends of the interior design market and prepare the final report.

With both primary and secondary research in place, Euromonitor has utilised both types of sources to validate all data and information collected, with no reliance on any single source. Furthermore, a test of each respondent's information and views against those of others is applied to ensure reliability and eliminate bias from these sources.

The bases and assumptions for the projections in the Euromonitor Report include the following:

- The Hong Kong / Chinese economy is expected to see positive growth over the forecast period, albeit sluggish;
- The Hong Kong / Chinese social, economic, and political environment is expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of interior design in Hong Kong / the PRC during the forecast period;
- Key market drivers such as the growing disposable income and consumer expenditure, and the increase in investments on show flat design and decoration are expected to boost the development of the interior design market; and
- Key drivers including gradual recovery of the residential property market, greater appreciation of interior design from potential home buyers and property developers from the PRC is likely to drive the future growth of interior design market.

Aside from local interior design companies, overseas interior designers, architecture companies, fit out companies and property developers are capable of offering interior design services. Due to the complexity of the industry dynamics in Hong Kong and the business model of our Company, the market size and analysis are based solely on the activities from interior design companies in Hong Kong, i.e. revenues of overseas interior designers, architecture companies, fit out companies and even property developers are not included.

Due to the lack of useful information to determine the revenues of the top five interior design companies in Hong Kong within the residential interior design segment, the ranking and shares are not provided in the Euromonitor Report.

Due to the lack of useful information to determine the revenues of the top five interior design companies in the PRC within the residential interior design segment, the ranking and shares are not provided in the Euromonitor Report.

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The research results may be affected by the accuracy of these assumptions and the choice of these parameters. The market research was completed in February 2015 and all statistics in the Euromonitor Report are based on information available at the time of reporting. Euromonitor’s forecast data comes from analysis of historic development of the market, the economic environment and underlying market drivers, and is cross-checked against established industry data and trade interviews with industry experts.

On these bases, our Directors and the Sponsor are satisfied that the forecasts and industry data disclosed in this section are not misleading.

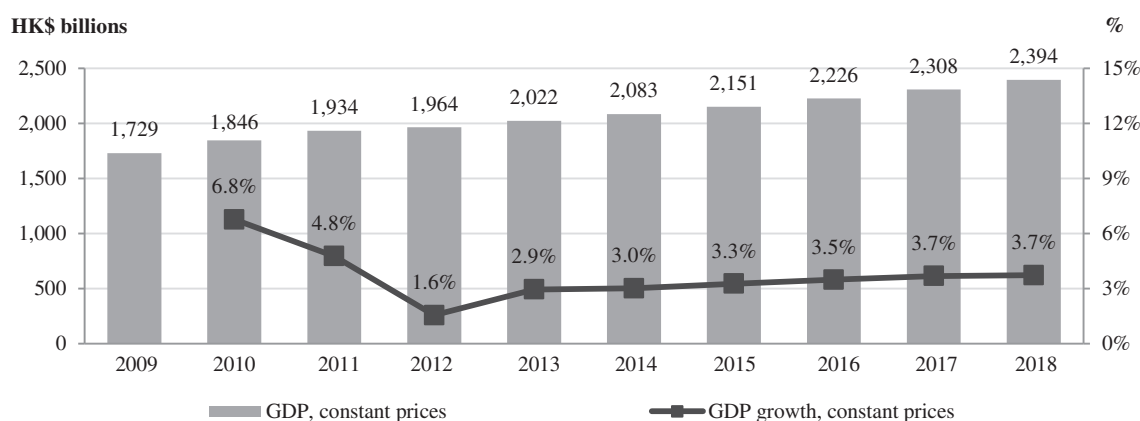
Our Directors confirm that, after taking reasonable care, there is no material adverse change in the market information since the issue date of the abovementioned sources which may qualify, contradict or have adverse impact on the information in this section.

Hong Kong

Macroeconomic Environment in Hong Kong

Hong Kong’s economic performance improved in 2013 with real GDP growing by 2.9% (Chart 1), driven by stronger domestic demand as well as rising exports of services. Over the forecast period, Hong Kong’s GDP is projected to grow by a CAGR of 3.4%, reaching HK\$2.4 trillion by 2018. Higher economic growth in the PRC is a major factor expected to boost Hong Kong’s economic growth.

Chart 1 Real GDP and real GDP growth rate, Hong Kong (2009-2018)

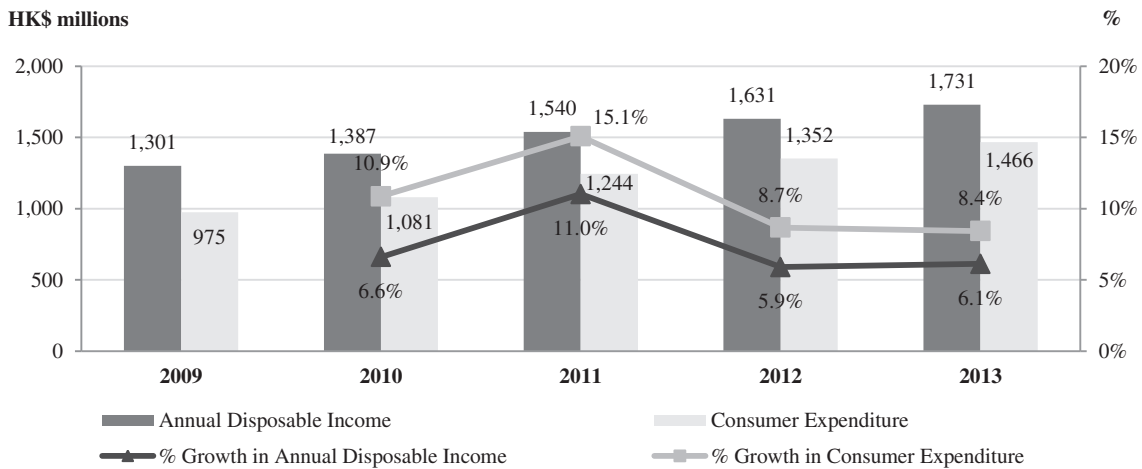


Source: International Monetary Fund

Rising domestic demand was another strong contributing factor towards this positive economic growth in 2013. Both private consumption expenditure and annual disposable income increased from the previous year, mostly due to an improved job market and income conditions for most consumers overall. Consumer sentiments are also expected to continue improving as the economic outlook becomes more positive. These, together with major infrastructural projects coming on-stream in the forecast period, are all expected to provide a strong impetus for economic growth in Hong Kong through 2018.

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Chart 2 Annual Disposable Income and Consumer Expenditure, Hong Kong (2009-2013)



Source: Euromonitor Passport data — Countries and Consumers 2014

Property Market in Hong Kong

Market dominated by the private residential, office and retail segments

The property market in Hong Kong is largely dominated by the private residential, private office and private retail property segments, with private industrial properties such as factories being less significant. Of these, the private residential property segment is the main demand driver for interior design services in Hong Kong.

Exceptionally high property prices driven by limited space and strong demand

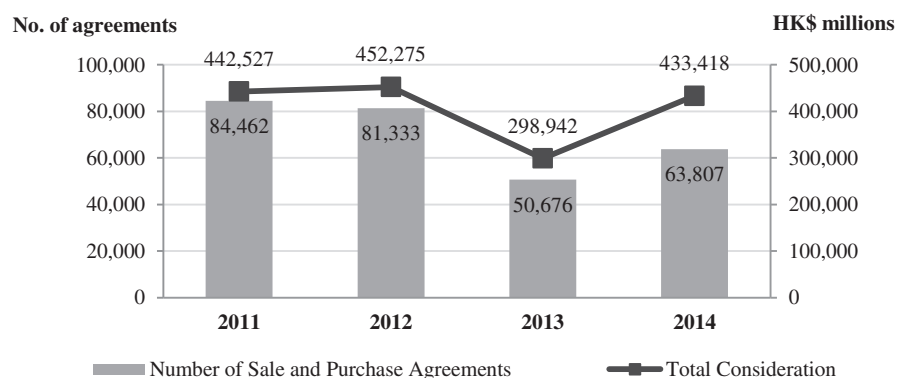
Hong Kong is one of the most active property markets worldwide. Limited supply of private domestic properties and strong demand from foreign investors have driven up private domestic property prices in Hong Kong, sparking fears of a property bubble.

Measures to cool the market in 2013 resulted in a slowdown

The Hong Kong Government continued to introduce new policies in 2013 to cool demand for private properties; as a result, demand for private domestic properties significantly declined in 2013. Overall sales transactions for private domestic properties fell by 37.7% to reach 50,676 transactions in 2013 (Chart 3). The number of sale transactions went up by 25.9% to reach 63,807 transactions in 2014, and the overall dollar value of these sales rose by 45.0% to over HK\$433 billion. This reflected a recovery of the market.

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Chart 3 Number of sale and purchase agreements and total consideration of domestic unit received for registration, Hong Kong (2011-2014)



Source: Rating and Valuation Department

Note: Excludes sales of units under the Home Ownership Scheme, the Private Sector Participation Scheme and Tenants Purchase scheme except those after payment of premium.

Luxury properties saw greater impact of the cooling measures

Luxury property developers are responding towards how consumers' appetites and preferences have changed because of the new measures, for example, by building smaller apartments which are relatively cheaper and attract a lower down payment quantum.

Developers keep property affordable by launching smaller apartments

Smaller properties compensate for their smaller floor size by shifting their selling point towards "compact luxury" and designer living. The cost of such interior design can also be separated from the valuation of the property, helping to lower the necessary down payment, stamp duties and other fees which have significantly increased. This trend of luxury property developers shifting towards smaller apartments to meet consumer demands is likely to result in a surge in demand for luxury interior design services.

Tighter credit and double stamp duty resulted in a drop in luxury property prices

The overall luxury residential price shows a steady trend in both 2011 and 2012, and saw a drop from Q1 2013 (HK\$22,592 per square foot) to Q4 2013 (HK\$21,823 per square foot). The change in the direction indicates the effect from credit tightening and double stamp duty introduced by the government. Rental rates corresponding to luxury private residential units have however been falling steadily since Q3 2011, to HK\$39.1 by Q2 2014. This sustained drop was due to a continued fall in demand from expats, which typically have constituted the most significant component in the demand for luxury residential rental.

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Table 1 Average quarterly market rent and price for luxury residential properties, Hong Kong (2011-2014)

Data	Units	2011				2012			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Overall luxury residential rent	HK\$ per square foot per month	45.4	47.3	48.4	46.8	45.3	45.3	N/A	N/A
Overall luxury residential price	HK\$ per square foot	18,806	19,520	19,629	19,149	18,730	19,723	N/A	N/A

Data	Units	2013				2014	
		Q1	Q2	Q3	Q4	Q1	Q2
Overall luxury residential rent	HK\$ per square foot per month	42.6	41.9	41.1	40.5	39.7	39.1
Overall luxury residential price	HK\$ per square foot	22,592	22,309	22,123	21,823	21,566	21,372

Source: Colliers International

Developers remain positive about the market despite new cooling measures

According to Chart 3, the number of sale and purchase agreements lodged within 2014 went up by 25.9% to reach 63,807 transactions, and the overall sales value rose by 45.0% to over HK\$433 billion. This has reflected a recovery of the market, especially during the second half of 2014. Despite a further introduction of new cooling measures by the Hong Kong Monetary Authority in February 2015, property developers are continuing to supply the market with new residential projects to generate more sales and activities as Hong Kong continues to see strong growth in household formation and rising personal income.

Residential Interior Design Market in Hong Kong

The interior design market in Hong Kong is very fragmented and saturated with many players of both local and international names, and designs and service offerings have become more sophisticated over the recent years. Due to low barriers to entry, a myriad of companies varying in size and type of services compete to provide interior design and fit out works to organisations, corporates, property developers and homeowners.

Market overview

Number of companies and designers. The number of interior design companies and designers in Hong Kong are fairly stable. According to the Hong Kong Interior Design Association (“HKIDA”) and trade directories, there are approximately 1,053 interior design companies and over 7,000 interior designers in Hong Kong in 2014.

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Entry requirements. As interior design is largely a creative industry, aside from the standard regulations that govern the incorporation of a company or partnership, there is no official requirement set by any authority on the qualifications. In most cases, it is the creativity and design fortitude of the individual designers that determine the going concern of these businesses.

Types of projects. The residential interior design segment is the main contributor towards the interior design market. According to a survey by HKIDA in 2011 (a sample size of 101 interior design companies in Hong Kong), around 67% of the companies are involved mainly in private residential projects, 22% in commercial projects, and approximately 5% in residential show flat design.

Types of services offered. The market for interior design in Hong Kong can be broadly classified into two main segments — design and fit out. The more established players provide to their customers both design, fit out and procurement services, typically with the latter outsourced; while smaller set-ups provide only designing services, with little or no involvement with the contractors.

Selection criteria of interior designers. When it comes to selecting interior designers, property developers and individual homeowners choose interior designers based mainly on price, style, reputation and creativity. While property developers have in-house design teams, they will still invite interior design companies to pitch for projects so as to provide creative design ideas to decorate the development show flats and sales offices.

Market performance

Value spent on show flat design expanded as the overall market contracted in 2013

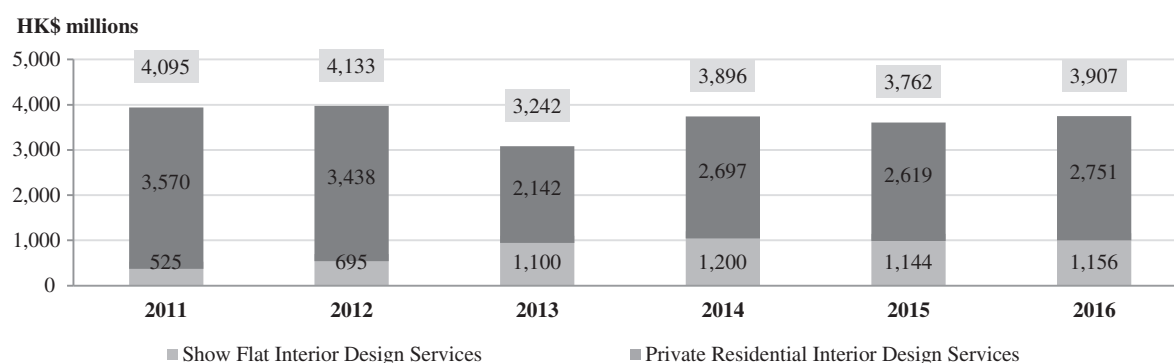
The customer value spent on overall residential interior design services in Hong Kong (Chart 4) recorded a total of HK\$3.2 billion in 2013, registering a CAGR of -11% from 2011 to 2013, due to the volatile residential property market. A different trend is observed for the market for residential show flats interior design, which saw an increase of 44.8% CAGR over the period between 2011 and 2013. The surge in the lineup of new property development launches by the prominent property developers was the main driving force for show flat interior design over the review period. However, the trend of customer value spend on residential show flat interior design services is expected to change by -1.9% during 2014-2016; due to a decrease in the number of new developments with show flats. This drop will however be offset by the likely increase in value spend per show flat over the next three years. More property developments in Hong Kong are likely to be positioned as luxury residences and this will result in property developers investing more in show flats to grab customer's attention and to generate interest.

Developers invest in show flat design while the overall residential market slumps

Even though private residential interior design dipped as the volatility of residential property prices discouraged primary and secondary home purchases, property developers instead spent more on show flats during the property market downturn period in order to attract and maximise their property sales. The increase in investment on show flat decoration and recurring sales from property developers has given this segment a boost.

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Chart 4 Customer value spent on residential interior design services, Hong Kong (2011-2016)



Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and leading interior design companies

Raw material and labor costs

Building materials, furniture and fixtures and labor costs form the key design and fit out costs for the interior design industry. Building materials such as sheet glass, mosaic and ceramic wall tiles, emulsion and acrylic paints and timber formwork listed in the following table, with the exception of steel bars, experienced a steady increase in the average wholesale price from 2011 to 2013 (Table 2).

Table 2 Average whole sale prices of building materials (2011-2013)

Data	Units	2011	2012	2013
Clear sheet glass, 5mm thick	HK\$ per square meter	139.5	147.6	151.0
Glazed ceramic wall tiles				
<i>White tiles, 108mm x 108mm</i>	HK\$ per 100 pieces	175.3	210.8	237.1
<i>Color tiles, 200mm x 200mm</i>	HK\$ per 100 pieces	293.3	375.8	397.4
Sawn hardwood, 50 x 75mm column	HK\$ per cubic meter	5,043.3	5,548.0	5,516.1
Mosaic tiles				
<i>Unglazed tiles, 18mm x 18mm</i>	HK\$ per square meter	77.6	90.2	106.1
<i>Glass tiles, 25mm x 25mm</i>	HK\$ per square meter	33.7	43.0	50.0
<i>Glazed tiles, 45mm x 45mm</i>	HK\$ per square meter	101.1	116.6	125.5
Paint				
<i>Emulsion paint</i>	HK\$ per liter	43.3	47.8	51.6
<i>Acrylic paint</i>	HK\$ per liter	44.4	48.4	48.7
Timber formwork				
<i>Plywood, formwork, 19mm thick</i>	HK\$ per square meter	70.2	71.3	74.0
<i>Sawn hardwood, 25mm thick plank</i>	HK\$ per cubic meter	3,307.8	3,580.3	3,814.0
Steel reinforcement				
<i>Mild steel round bar, 6mm to 20mm</i>	HK\$ per ton	6,914.7	6,374.3	5,979.8
<i>High tensile steel bars, 10mm to 40mm</i>	HK\$ per ton	6,454.1	5,917.4	5,282.2

Source: Census and Statistics Department of Hong Kong

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As a premium building material commonly used in luxury residential designs, the price of marbles exhibited a steady increase for the past two years with the price of marble tiles from the PRC and Italy increasing to USD63 and USD84 in 2013 respectively. This is mainly due to the overall increase in labor price and local currency, as a result of the continuous growth in Chinese economy.

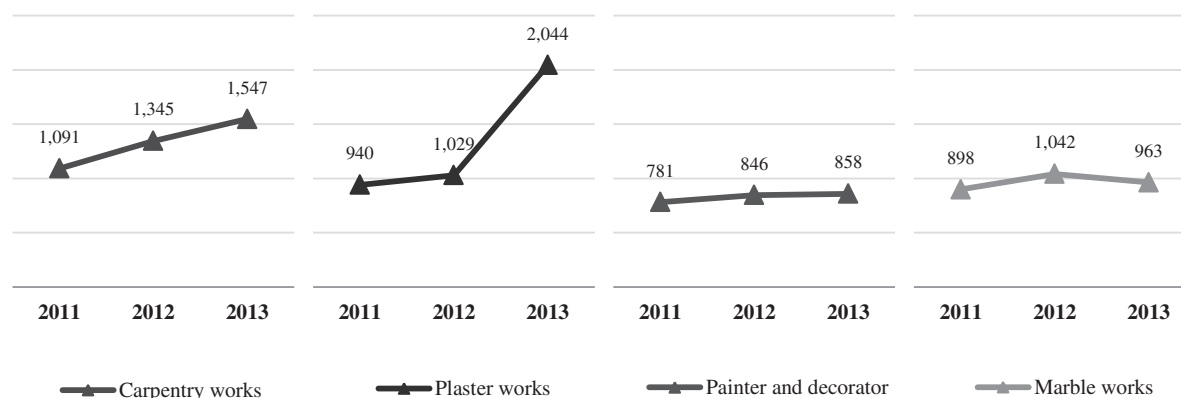
Table 3 Average price range of marble (2012-2013)

Data	Units	2012	2013
Marble — 2cm (from the PRC)	USD per square meter	57	63
Marble — 2cm (from Italy)	USD per square meter	76	84

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and leading interior design companies

For labour costs, the average daily salaries for skilled workers in Hong Kong between 2011 and 2013 recorded positive growth (Chart 5). According to the Construction Industry Employees General Union, the wage increments can be attributed to the decline and shortage of skilled labor within the construction industry.

Chart 5 Daily salary for skilled workers in Hong Kong in HK\$ (2011-2013)



Source: Wages and Labor Costs Statistics Section, Census and Statistics Department of Hong Kong

Future outlook

The overall residential interior design market is likely to see a positive growth of 0.1% CAGR over the forecast period 2014-2016, reaching HK\$3.9 billion in 2016. Apart from growing consumers' disposable income and the affordability of properties, property developers are continuing to invest in show flat design and decoration in order to attract home buyers amidst the sluggish property market. Further as discussed previously, property developers are expected to push the luxury concept strongly to prospective homeowners in the 2014-2016 period.

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The soaring property prices since late 2012, coupled with the government imposed cooling measures have resulted in the total sales and purchases of 2013 to pale in comparison to the previous year (Chart 3), and this trend has persisted till the end of 2014. According to trade sources, this trend has spurred property developers to invest more money in show flat designs in order to arouse the interest of potential home buyers with the residences' identities and the target market's aspirations. It is expected that the value spent on per show flat interior design project will increase over the next three years, as more and more property developments are positioned to be luxury residences, hence the usage of more premium materials will be expected, thereby increasing the amount spent on show flat design and decoration.

During the Chief Executive's Annual Policy Address in January 2014, the government has developed plans to address the issue of land shortage for housing. With 150 sites identified for residential housing and a housing target of 480,000 public and private residential units in the next decade, these plans will set the foundation for the interior design market in Hong Kong to see sustained growth during the forecast period and in the long run.

Such plans will in turn affect the developers' strategies to differentiate themselves and achieve market leadership within the residential property market. To ensure stable demand in a market where property prices are sky-high, some property developers made home purchase more affordable and palatable through the launch of residences that are smaller in size. Going forward, interior designers not only need to adapt their show flat designs to create visual statements to catch the attention of home buyers, but also to make thoughtful and effective use of space in small units for homeowners while not compromising on the luxury status and quality of the apartments.

Market Trends, Drivers and Entry Barriers

Drivers

1. Increasing consumer expenditure and household income

With increasing disposable income, Hong Kong consumers are able to spend more on indulgence items. Consumers' spending on residential interior design is expected to follow suit and see a steady increase over the forecast period.

2. Show flats adopted as a major sales and marketing approach by property developers

With show flats modelled to look after the actual unit of the new developments, property developers will increasingly use show flats as a major sales and marketing tool.

Trends

1. Shifting focus from domestic projects to overseas business

The faster growth of the economy in the PRC and the much larger spaces for designers to handle for projects attracted many interior designers to shift their focus from Hong Kong to the PRC. The trend is expected to continue for the coming three to five years, while the Hong Kong market should remain stable.

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2. Developers bringing in designers from overseas

New developments launched in recent years are increasingly seen to be positioned as luxury residences with a hefty price tag. Larger developers prefer to invite overseas designers to design for their show flats to ride on their fame and to better portray a luxurious feel for their properties.

3. Proposing an industry improvement scheme

The HKIDA has proposed both an industry improvement scheme and a professional registration scheme to the government, aiming to improve the education standard for interior design industry and enhance the professional image of local interior designers.

Typical market entry barriers

The interior design industry in Hong Kong is not highly regulated and adopts a laissez faire approach. The industry is not labor intensive and does not require a large amount of capital to start up a new business. The low switching costs and the lack of economy of scale in the industry keeps the entry barriers relatively low.

Competitive Landscape

Highly competitive and fragmented industry with over 1,000 companies

The industry is fragmented, with more than 1,000 interior design companies in Hong Kong and no single market leader dominating the market. This indicates a fairly competitive nature of the industry. The enormous number of interior designers in the market raises the bargaining power for buyers and increases the threat of substitutes.

Designers differentiate based on price, style and reputation

Local interior designers compete on price, the style and variety of their designs, reputation, and how well their designs are received. Furthermore, property developers and individual homeowners in Hong Kong are more entrenched with the idea of having good interior design for their property show flats and homes relative to those in the PRC, and they possess stronger knowledge of the industry. The highly educated consumers bring even more challenges for local interior designers to differentiate and compete with foreign competitors.

Show flat interior design remains a niche segment

As show flats interior design is a more niche segment in the interior design space, there are fewer players in the market. Many of them are renowned interior designers from Hong Kong and have recurring collaborations with leading property developers over the years and have designed show flats, sales offices, clubhouses and lobbies for property projects.

Based on data provided by our Group and Euromonitor's own industry estimates, our Group accounted for a share of 3.6% of overall residential interior design and 8.8% of the residential show flat interior design in Hong Kong, in 2013.

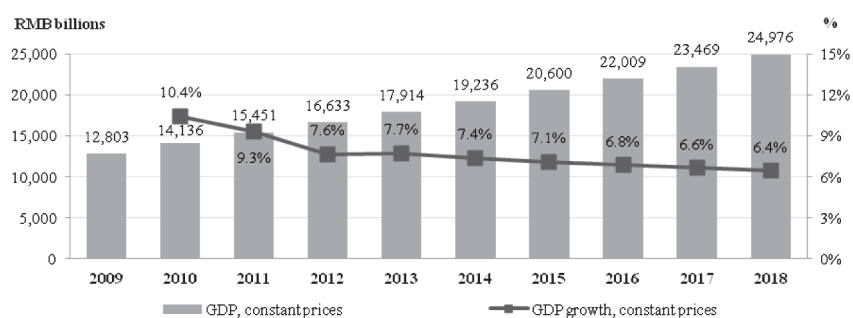
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The PRC

Macroeconomic Environment in the PRC

After years of strong double-digit growth, the PRC's economy has shown signs of stabilising. Real GDP for the PRC reached RMB 17.9 trillion in 2013, recording a steady annual growth of 7.7% from 2012. The GDP per capita increased from RMB 9,594 to RMB 13,164 from 2009 to 2013. As the PRC switches gradually to a consumer-led economy, economic performance up till 2018 is within expectations given the global economic recession in 2009 and the policy adjustments in the country. Real GDP growth for the forecast period 2014-2018 is expected to be 6.7%, bringing the total GDP to RMB 25.0 trillion in 2018.

Chart 6 Real GDP and real GDP growth, the PRC (2009-2018)

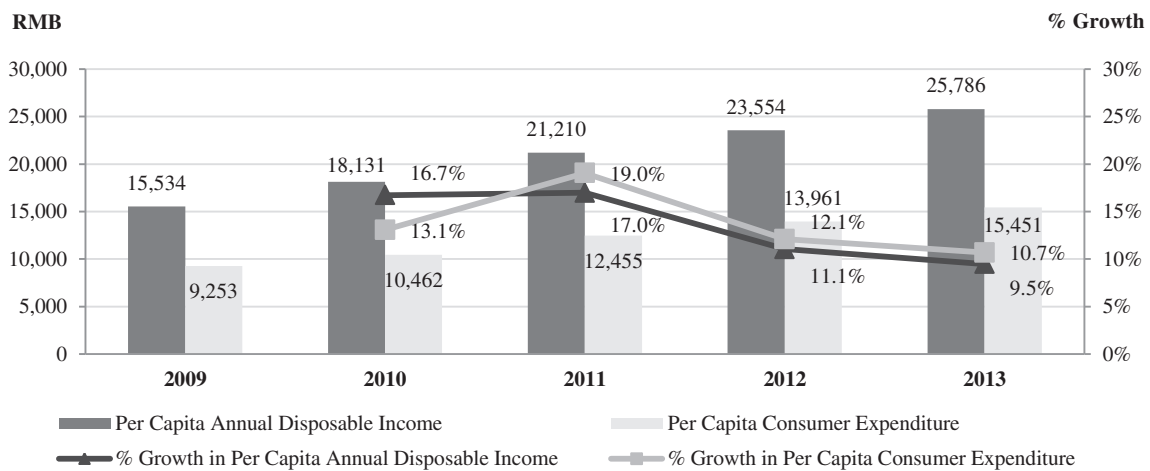


Source: International Monetary Fund

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The consumer market continues to expand and remains compelling for its size and potential. Disposable income and expenditure are registering healthy gains, with the per capita disposable income for Chinese residents increasing from RMB 15,534 in 2009 to RMB 25,786 in 2013, representing a CAGR of 13.5% for that period (Chart 7). Meanwhile, the growth in disposable income has led to increased consumer expenditure, from RMB 9,253 in 2009 to RMB 15,451 in 2013, reflecting a sustained spending power among Chinese consumers.

Chart 7 Per Capita Annual Disposable Income and Consumer Expenditure, the PRC (2009-2013)



Source: Euromonitor Passport data — Countries and Consumers 2014

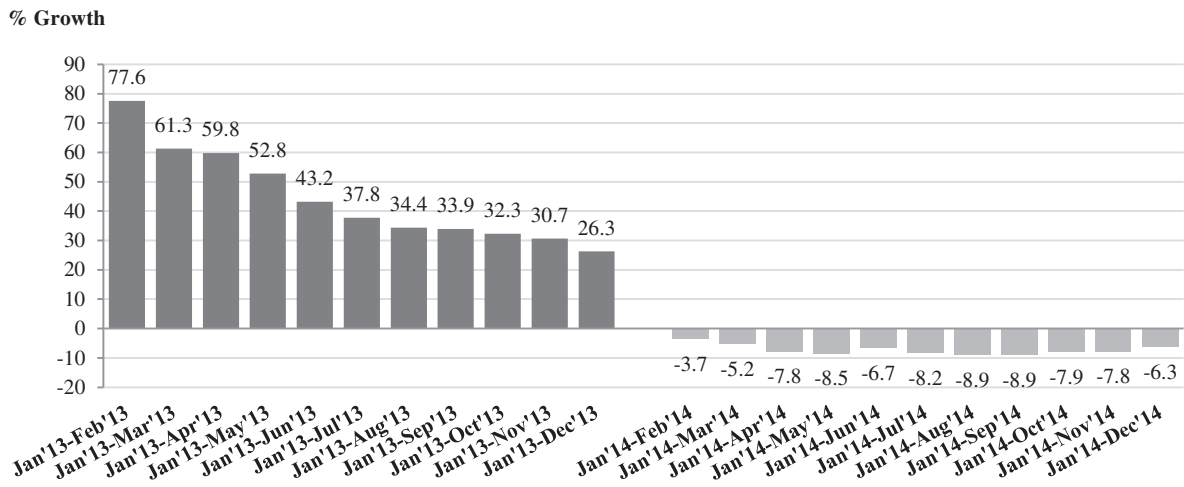
Property Market in the PRC

The property market in the PRC is dominated by private residential housing. As disposable income grows and families move on from satisfying basic needs, private residential housing segment has become increasingly speculative where people now can own up to two or three residential properties. 2013 ended with a record high of 26.3% year-on-year growth in sales of buildings by property developers, and residential sales outpaced the total sales with 26.6% growth from 2012. A total of RMB 8.1 trillion was accounted for by the sale of these buildings, and residential building sales accounted for a significant 83% of total sales value of buildings sold by property developers.

In 2013, property prices soared and the government actively implemented policies which included more stringent mortgage requirements, property tax and limiting home ownership, resulting in a drop in housing sales in 2014 (Chart 8). Sales values of all building types and residential ones saw negative growth of 6.3% and 7.8% respectively in 2014, even after price-cuts from developers. The oversupply of residential apartments has also a part to play in the weak performance.

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Chart 8 Sales value growth of buildings sold by property developers, the PRC (2013-2014)



Source: National Bureau of Statistics of China

To prevent home sales from declining further, government eased restrictions on second home ownership and mortgage from the Q3 2014. According to the National Statistics Bureau of China, the market reacted positively with a sales rebound, as sales value of residential building in December 2014 increased 4.2% year-on-year.

Luxury residential market is less affected by the government policies

According to Colliers International, the price of high-end residential buildings in first tier cities remained stable during 2014. Jones Lang LaSalle predicted that the price of high-end residences in first tier cities will have a moderate growth in 2015, while those in second- and third-tier cities might drop slightly due to oversupply. The demand for luxury apartments in first-tier cities is supported by the expectation of value appreciation of premium assets. Luxury apartments are usually located downtown, and available land will become scarcer in such areas for new developments. Similarly, the government has stopped approving new land to be used for building villas and this scarcity will provide a basis for sales prices to continue in its upward trend.

Residential Interior Design Market in the PRC

Market overview

Segments of residential interior design. The residential interior design market in the PRC comprises of (1) interior design for individual homeowners, (2) refined housing decoration, and (3) interior design for show flats and sales offices.

Number of companies and designers. According to the CBDA, the interior decoration market is extremely fragmented with approximately 1.2 million interior designers and decorators at the end of 2012. There were over 142,000 enterprises in the market at the end of 2012, down 2.3% compared with the previous year. The enterprises that fail to survive are mainly small ones. CBDA aims to control the total number of building decoration enterprises below 120,000 by 2015.

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Entry requirements. As many of the interior design set ups are independent and private, there is no standard benchmark in the country for designers to qualify for certifications. Trade sources maintain that interior designers are assessed usually by their work rather than qualifications, as the latter is easy to obtain.

Types of services offered. Interior design companies are mainly in charge of design, and sometimes outsource fit out work to third parties contractors. Interior decoration companies primarily take on fit out work, while property developers contract designers or design firms to provide the interior layout and style, while having their in-house design teams to accessorise the place.

Engaging interior designers. Some property developers prefer to assign the design and fit out of the projects out to one or more vendors, depending on the size of each project. Property developers have various ways of selecting interior designers, such as via public bidding, strategic cooperation or by-invitation only. Inviting designers is a lot more common for non-local developers as they are more particular about the style and appeal of the interior furnishing. Leading developers usually have a preferred list of interior designers and companies with which they have cooperated in previous projects or have signed strategic cooperation agreements.

Design fees. Design fees charged are usually very low, and at times free, as a perk or goodwill for homeowners. Typically design fees are less than 10% of total project spend on designing and decorating individual residences. For show flat design projects, charges mainly comprise of design fees and a small amount from material/ accessory procurement.

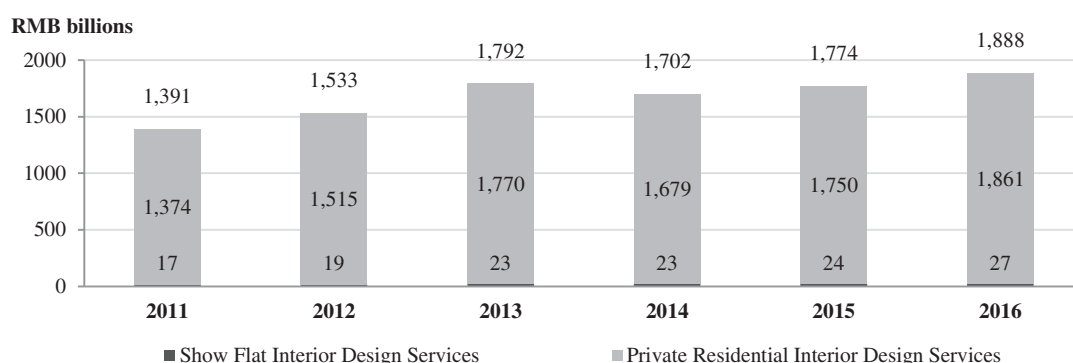
Market performance

Show flat design value spent outpaced overall residential design market growth

In 2013, the total customer value spend on overall residential property interior decoration services reached RMB1,792 billion, representing a 16.9% growth compared to the previous year (Chart 9). The prosperous property sales and increasing per capita disposable income and willingness to spend of consumers contributed to the stronger demand for interior design and decoration. Customer value spent on show flats reached RMB22.5 billion, registering a faster year-on-year growth of 19.8% in 2013. More local property developers believe that through an appealing and stylish show flat, it can attract more buyers and boost property sales. Property developers are seen to be frequently inviting famous interior designers from Hong Kong, Taiwan and other countries to showcase their designs via these show flats.

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Chart 9 Customer value spent on residential interior design services, the PRC (2011-2016)



Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and leading interior design companies

Labor cost, furniture, building materials and hardware are important cost components which determine the profitability of the interior design business. According to Table 4, the consumer price for building materials and hardware increased by 0.2 in index points and 0.2% in percentage in 2013 from 2012. Also, trade sources commented that the costs of raw materials and labor have been increasing on an average of 7% year-on-year.

Table 4 Price Indices by the final products used (2011-2013)

	2011	2012	2013
Producer Price Index of Furniture	102.4	101.7	100.5
Consumer Price Index of Building materials and hardware	104.7	101.0	101.2

Source: National Bureau of Statistics of China

Future outlook

Removal of limits likely to spur residential sales and interior design

The overall residential interior design market is expected to grow at a CAGR of 5.3% over the period from 2014 to 2016, reaching RMB1,888 billion in 2016. Although the market dropped in 2014, it is expected to regain growth from 2015, as the government removed some limits on home purchase at the end of 2014. The urbanisation progress will also provide support to the housing demand. In addition to the property sales recovery, home buyers' increased demand for interior design is also expected to support market growth. In the refined decoration residences, developers tend to use more premium materials, especially when the same imported materials can often be purchased at a lower price due to lower tariff.

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Investments from developers sustaining show flats design growth

The interior design market for show flats is expected to grow at a CAGR of 7.4% over the period from 2014 to 2016, faster than the overall residential interior design market. The show flat interior design market will reach RMB26.5 billion in 2016. The market managed to keep growing despite the unfavorable real estate sales in 2014, because the property developers kept investing in the show flats. The developers believe that show flats are an effective way to encourage potential home buyers to purchase the property.

Market Drivers, Trends and Entry Barriers

Drivers

1. Fast development of the property market supported by urbanisation

Residential real estate witnessed a CAGR of 18.5% in sales value between 2011 and 2013. Despite the slowdown in 2014, the market is expected to recover and maintain stable growth. The urbanisation rate in 2014 is approximately 55% and the rate will continue to increase over the long-term. The fast growth of the real estate market provides a strong base for the development of residential interior design industry.

2. Stable demand for interior design services

Most of the new residential units in the PRC come unfurnished, so home buyers have to contract interior designers to do up the interior of their residence. Property developers are spending more on both design and construction to increase the value of their properties. Renovation of existing apartments and most of the resale units also require interior design.

3. Increasing consumer expenditure and household income

A personalised home decorated with premium materials counts as one of the many indicators of a better quality of life for many people in the PRC. With increasing disposable income, consumers' spending on residential interior design is expected to see a steady increase over the forecast period.

4. Show flats adopted as a major sales and marketing approach by property developers

Since a majority of new residential units are not decorated before selling to the customers and a large proportion of the new residences on sale are still under construction, having show flats is a major draw for property developers to showcase their products and attract customers.

Trends

1. Online interior decoration platform will be a new channel for residential interior design

A number of leading interior decoration companies has launched online platforms so that customers can purchase the interior design and decoration services online. The leading players can reach the young customers more efficiently, who are gradually becoming the major group of home buyers, and at the same time expand their networks at much lower costs.

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2. Property developers are increasingly willing to invest in show flats interior design

Like home buyers, property developers in the PRC are seeing more value in interior design of show flats and sales office and are more willing to invest in them. Developers hire famous interior designers and use premium materials such as marble tiles to beautify their properties in order to attract their target customers.

3. More frequent invitation of famous interior designers from overseas for show flat designs

Many property developers have been bringing designers from overseas to design the show flats, as they believe famous overseas designers can accentuate the image of their properties, and cater to the tastes of the high end market. Interior designers from Hong Kong and Taiwan are especially popular, because they do not have language barriers and many of them have offices in the PRC.

4. The premium imported materials can be obtained with a lower cost because of the lower tariff

For luxury show flats and refined decoration apartments, property developers use premium materials imported from other countries. Such imported materials can be obtained with a lower cost now because the PRC has been signing zero-tariff agreements with more countries and regions.

5. Commercial and hospitality interior design is expected to play a larger part

After the property market downturn, many developers started to build complexes which contain residences, commercial buildings and public facilities to diversify risks. Gradually, commercial and hospitality interior design for hotels and restaurants is becoming more important in the market.

Typical market entry barriers

1. Entry barrier is very low for residential interior design for individual homeowners

Residential interior decoration companies in general are required to hold a business license and they need to pass an annual inspection conducted by the Administration for Industry and Commerce. However, there are many unregistered independent construction teams operating and many homeowners choose them so as to save money, as well as believing that the quality is acceptable despite being small and unregistered.

2. Developers set various criteria to choose qualified design and decoration suppliers

Property developers typically have a list of interior design companies which have excellent accolades, reputation and some with past cooperation experiences and these companies are more likely to be invited to work on new development projects. The selection can also be conducted through public bidding.

3. Reputation and local presence are crucial for high-end property show flats designs

For show flats of luxury developments or flagship projects, property developers are careful in picking the interior design companies, with most of them being renowned interior designers from Hong Kong, Taiwan or other countries. Another important criterion is whether the interior design companies have local offices so that they can provide timely on-site support.

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Competitive Landscape

Extremely fragmented industry with many small and unregistered companies

The interior design market in the PRC is extremely fragmented with no single market leader. For residential interior decoration, the market is split across very small companies or unregistered companies. However, the market is expected to be more consolidated with both regulatory policies and market integration under harsh competition. The Ministry of Housing and Urban-Rural Development of the PRC has stopped accepting qualification applications from building decoration enterprises since December 2014, with the intention to control the number of enterprises. Small companies will not survive the competition when leading companies are having larger sizes and wider network across the country and customers demand higher quality.

Brand name and accolades are key to success for show flat design

The show flat interior design market is highly fragmented too, with 1,500-2,000 companies operating in the segment. Leading interior design companies show more resistance to unfavorable situations like the property market downturn, as the demand for show flats interior design sees less fluctuation and renowned designers / companies are property developers' first choice.

Low barriers make entry easy for companies from other industries

Some leading corporations in other industries have joined the competition because of low entry barriers and famous brand names can gain market share with better service and reputation.

Interior designers are expanding their business across geographical boundaries

While local interior decoration companies only serve the customers in the PRC, overseas interior design companies are increasingly seen to be setting up a branch office in the PRC to expand their business into the vast Chinese market, especially for the interior design of show flats, sales offices, clubhouses, hotels, restaurants, etc. They have been cooperating with leading property developers in the PRC over the years and have designed show flats, sales offices, clubhouses and lobbies for property projects across the PRC.

Based on data provided by our Group and Euromonitor's own industry estimates, our Group accounted for a share of 0.002% of overall residential interior design and 0.1% of residential show flat interior design in the PRC, in 2013.

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REGULATORY REQUIREMENTS IN HONG KONG

We are a one-stop integrated interior design solutions provider based in Hong Kong. Our integrated interior design solutions include design, fit out, and decoration. As at the Latest Practicable Date, there was no statutory or mandatory licensing and qualification system governing the provision of interior design solutions.

Below sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operation and business.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong)

The mandatory provident fund scheme ("MPF Scheme") is defined contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) provides that an employer shall participate in an MPF Scheme and make contributions for its employees aged between 18 and 65. Under the MPF Scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per year.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

A principal contractor and a superior subcontractor are subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractors jointly and severally. Such liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor and/or superior subcontractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months without any deductions under the Employment Ordinance (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date.

A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at currently at up to HK\$50,000.

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Pursuant to Section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under Section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be.

The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

Employees' Compensation Ordinance (Chapter 282 of the laws of Hong Kong)

The Employees' Compensation Ordinance (Chapter 282 of the laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years.

According to Section 48 of the Employees' Compensation Ordinance, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the Employees' Compensation Ordinance) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong)

With effect from 1 May 2015, the Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong) provides for a prescribed minimum hourly wage rate at HK\$32.5 per hour for every employee employed under the Employment Ordinance (Chapter 57 of the laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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Occupiers Liability Ordinance (Chapter 314 of the laws of Hong Kong)

The Occupiers Liability Ordinance (Chapter 314 of the laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong)

The Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- a) providing and maintaining plant and work systems that are safe and without risks to health;
- b) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- d) providing and maintaining safe access to and egress from the workplaces; and
- e) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to one year.

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Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

Pursuant to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor or subcontractor) who has control over or is in charge of a construction site should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site. “Construction site” is defined under the Immigration Ordinance to mean a place where construction work is undertaken and includes any area in the immediate vicinity which is used for the storage of materials or plants used or intended to be used for the purpose of the construction work.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

The Waste Disposal Ordinance regulates the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste into and from Hong Kong is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any prescribed charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, and to a fine of HK\$500,000 and to imprisonment for two years for a second or subsequent offence.

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Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits. A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong).

The contractor responsible for a construction site (which is defined to mean a place where construction work is carried out and area in the immediate vicinity of any such place which is used for the storage of materials or plant used or intended to be used for the purpose of the construction work) shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours, construction noise permits are required from the Environmental Protection Department in advance.

REGULATORY REQUIREMENTS IN THE PRC

This part sets out summaries of certain aspects of the PRC laws and regulations which are relevant to our Group's operation and business.

Regulations on Registration of Enterprises of Foreign Countries (Regions) Engaging in Production Operations in the PRC

Pursuant to Administrative Measures for the Registration of Enterprises of Foreign Countries (Regions) Engaging in Production Operations Within the Territory in China (外國(地區)企業在中國境內從事生產經營活動登記管理辦法, the “**Measures of Foreign Enterprises**”), issued by the State Administration for Industry and Commerce on 15 August 1992 and taking into effect on 1 October 1992, foreign enterprises engaging in production operations within the territory of the PRC shall apply to the State Administration for Industry and Commerce or its authorised local administration for industry and commerce for registration in the PRC. Foreign enterprises engaged in the following production and business activities shall seek registration: (1) exploration and development of petroleum and other land and marine mineral resources; (2) contracting for construction and

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decoration work for buildings, civil engineering work, the installation of wiring, pipelines or equipment, or similar projects; (3) contracting for or accepting commissions for the operation and management of foreign-funded enterprises; (4) the establishment of foreign bank branches in the PRC; and (5) other production and business activities permitted by the State.

There is no definition or clear interpretation on the term “construction and decoration work” in respect of item (2) above in the Measures of Foreign Enterprises. There is also no definition or clear interpretation for the word “decoration” on its own in the PRC laws and regulations in the context of the construction activities. In respect of the DFD projects undertaken by our Group in the PRC during the Track Record Period, our PRC Legal Adviser has consulted the local and/or provincial branches of Administration of Industry and Commerce (the “AIC”), which either confirmed that the Measures of Foreign Enterprises are not applicable to us, or confirmed that the Measures of Foreign Enterprises are only applicable to large scale construction projects such as contract for engineering. In respect of the DD projects undertaken by our Group in the PRC during the Track Record Period, our PRC Legal Adviser has consulted the local and/or provincial branches of the AIC, all of which have confirmed that no registration is needed pursuant to the Measures of Foreign Enterprises.

Based on the above, the business activities carried out by our Group in the PRC do not fall within items (1) to (4) above. As advised by our PRC Legal Adviser, based on their consultation with the specific local branches of the AIC, the activities carried out by our Group during the Track Record Period do not fall within item (5) above. Therefore, our Group is not required to apply for registration according to the abovementioned regulations.

Regulations on Construction Enterprise

Under the provisions of the Construction Law of the PRC (中華人民共和國建築法, the “**Construction Law**”), which was initially promulgated on 1 November 1997, took effect on 1 March 1998 and amended on 22 April 2011, construction enterprises, surveying units, design units and construction engineering supervision units engaged in construction activities should meet the following criteria: (1) with registered capital in accordance with regulations in the PRC; (2) with professional technical staff who possess respective statutory licences of the construction activities they are engaged; (3) with the technology and equipment required by the related construction activities; and (4) other conditions required by laws and administrative regulations. Under the Construction Law, “construction activities” refers to construction of all types of housing and the ancillary facilities as well as the installation of wiring, piping and equipment. Furthermore, under the Administrative Regulations on the Quality Management of Construction Engineering (建設工程質量管理條例, the “**Administrative Regulations on Quality**”), which was promulgated by the Ministry of Construction of the PRC as a subsidiary regulation of the Construction Law, “construction project” includes civil engineering project, building project, pipeline project, equipment installation project and fit out project, and the enterprises which engage in such construction projects are required to obtain appropriate qualification.

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Pursuant to the Administrative Provisions on the Qualification of Construction Enterprises (Order of the Ministry of Housing and Urban-Rural Development of the People's Republic of China No.22)(the “**Provisions on Qualification**”, 《建築業企業資質管理規定》(2015年住房和城鄉建設部令第22號)), all construction enterprises shall apply for the relevant qualifications under the Construction Law. “Construction enterprises” are defined as those enterprises carrying out construction, extended construction, reconstruction and other construction activities of civil engineering projects, construction projects, installation projects of circuits and pipelines.

Under the Regulations on Construction Enterprises with Foreign Investment (外商投資建築業企業管理規定) (the “**Order No. 113**”), promulgated on 27 September 2002 by the Ministry of Construction and the Ministry of Foreign Trade and Economic Cooperation, becoming effective on 1 December 2002, and the Circular of the Ministry of Construction concerning the Relevant Work on the Qualification Administration of Foreign Enterprises Contracting Projects within China (建設部關於做好在中國境內承包工程的外國企業資質管理有關工作的通知) (the “**Circular No. 193**”), which was promulgated by the Ministry of Construction and became into effect on 28 September 2003, to establish construction enterprises with foreign investment within the PRC for engaging in construction activities, a certificate of approval for foreign-invested enterprise must be obtained from the competent administrative agencies with registration accomplished at the State Administration for Industry and Commerce or the authorised local industrial and commercial bureaus and an aptitude certificate for construction enterprise from competent construction department is also needed. Under the Order No. 113, from 1 October 2003, only after having obtained the construction enterprise qualification certificate may a foreign enterprise contract any project within the PRC.

As advised by our PRC Legal Adviser, based on the Provisions on Qualification and the Circular No. 193, only enterprises established in the PRC would be eligible to apply for the qualifications as a construction enterprise and then engage in the construction activities. According to Order No. 113, foreign investors shall set up foreign invested entities in the PRC and apply for the construction qualification in order to contract projects in the PRC. Our PRC Legal Adviser has consulted the respective local and/or provincial branches of AIC of where the projects located during the Track Record Period, and has been informed that our Group is not required to register under the Measures of Foreign Enterprises and our Group is also not required to set up the foreign invested enterprise. Therefore, our PRC Legal Adviser is of the view that the Construction Law and the related regulations are only applicable to enterprises established in the PRC and enterprises that perform construction activities in the PRC.

In respect of the design services for the DD and DFD projects we provided for our PRC projects during the Track Record Period, there is a possibility that they may be regarded as being conducted in the PRC given the location of the relevant property or PRC customers. Our Group is a foreign enterprise under the PRC law and there are no express provisions under the Construction Law or the Provisions on the Administration of Foreign-invested Construction Engineering Design Enterprises (外商投資建設工程設計企業管理規定) that require a foreign design enterprise to set up a foreign-invested enterprise or to obtain any qualifications for providing design services in the PRC. Our PRC Legal Adviser has consulted the local and/or provincial branches of AIC, which confirmed that as long as the majority of the design services are provided outside of the PRC, our Group will

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not be required to register under the Measure of Foreign Enterprises, nor is it required to set up a foreign invested enterprise in the PRC to provide design service. Our PRC Legal Adviser has also reviewed the terms in our contracts about design service and confirmed such terms comply with the requirements of AIC.

In respect of our DFD projects during the Track Record Period, under some of the agreements entered into between the subsidiaries of our Company and the PRC customers, our Group is required to provide fit out work in the PRC, which would be regarded as construction activities under the Construction Law. However, given that the relevant subsidiaries of our Company were not incorporated in the PRC, and did not carry out the construction activities by ourselves but outsourced the fit out works to the subcontractor(s) with the requisite qualifications and relied on our subcontractor(s) with the requisite qualification to undertake fit out works of our PRC projects when performing the agreements, the relevant subsidiaries of our Company do not violate the Construction Law, the Order No. 113 and the Circular No. 193.

As advised by our PRC Legal Adviser, an enterprise established in the PRC is the pre-requisite to obtain the qualification under the Construction Law and the Provisions on the Qualification, and the Construction Law does not contain any express provision that are applicable to our Group since we are a foreign enterprise. Our PRC Legal Adviser has consulted the respective local and/or provincial branches of AIC of where the fit out projects located during the Track Record Period, and has been informed that our Group is not required to register under the Measures of Foreign Enterprises and our Group is also not required to set up the foreign invested enterprise. Therefore, we are not regarded as a “construction enterprise” as contemplated under the Construction Law, and our Group is not required to obtain the qualifications or meet the four criteria set out above under the Construction Law. Nonetheless, the qualifications under the Construction Law will be directly applicable to our PRC fit out subcontractors when they carry out the fit out work for our PRC projects.

The interpretation of “engineering supervision units (工程監理單位)” can be referred to in Chapter 4 of the Construction Law, which defines engineering supervision as the supervision and management of the construction process entrusted by the property owner. According to the Construction Law, the engineering supervision units are third parties engaged to monitor the progress and quality of construction projects and use of funds pursuant to the applicable laws and regulations, technical standards, design paper and construction contracts.

In respect of the fit out management services we provided for our DFD projects during the Track Record Period, our services mainly involve the coordination, management and arrangement of the fit out works only, and do not involve construction of all any housing or the ancillary facilities, nor the installation of wiring, piping and equipment. The fit out works are provided by our fit out subcontractors but are not directly provided by our Group. Our Group would only monitor the progress of our PRC projects that we are contractually bound to complete but we are not engaged as a third party to monitor the said projects. As such, as advised by our PRC Legal Adviser, our Group is not contractually engaged as an engineering supervisor when we provide our services in the PRC, and we are not regarded as an “engineering enterprise supervision unit” as contemplated under the Construction Law.

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Regulation on the Grade Standards of Qualifications

Pursuant to the Construction Law, construction enterprises, surveying units, design units and construction supervision units engaged in construction activities are classified into different qualification levels according to qualification conditions such as their registered capital, professional technical staff, technology and equipment and performance records of their completed construction work, etc.. Further, under the provisions of the Grade Standards for Design and Construction of Building Decoration Qualification (建築裝飾裝修工程設計與施工資質標準) (the “**Grade Standards of Qualifications**”), the qualifications of contractors providing design and implementation of building decoration and fitting-out services are divided into three grades, namely A, B, C. Contractors engaged in design and implementation of building decoration and fitting out services can only undertake projects allowed within its grade, in terms of this single contract value. Building decoration contractors with Grade A Qualification can undertake building decoration projects without scale limitation, while those with Grade B Qualification and Grade C Qualification can undertake building decoration projects which single contract value is under RMB12 million and RMB3 million, respectively.

A construction contractor is prohibited from allowing any other entity or individual to undertake any project on its behalf. No construction contractor may transfer the contract for or illegal subcontract an project undertaken by it. However, the general contractor of project may contract out parts of the project to subcontractor with the corresponding qualifications. Construction contractors which contract out illegally may be subject to an ordered of rectification and confiscation of illegal gains, a fine between 0.5% and 1% of the contractual price for such project, suspension of business and qualification downgrade; in more serious cases an offender’s qualification may be revoked.

As mentioned in the section headed “Regulatory Overview — Regulations on Construction Enterprise” in this prospectus, our PRC Legal Adviser is of the view that our Group is not required to meet the four criteria set out in the Construction Law or to obtain the qualifications pursuant to the Construction Law. The Grade Standards of Qualifications, a regulation under the Construction Law, will also not be directly applicable to the business activities carried out by our Group but will be directly applicable to our PRC fit out subcontractors when they carry out fit out works for our PRC projects.

Regulations on Environment Protection

Under the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**EP Law**”), adopted in 1989 and revised on 24 April 2014 and became effective on 1 January 2015, the pollution prevention and control facilities in construction projects shall be designed, built and commissioned together with the principal part of the project. The pollution prevention and control facilities shall meet the requirements specified in the documents regarding the environmental impact assessment and shall not be dismantled or left idle without authorisation. Enterprises and institutions and other producers and operators that discharge pollutants shall take measures to prevent and control pollution and other hazards caused to the environment by waste gas, waste water, waste residues, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration and optical and

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electromagnetic radiation generated in the course of production, construction or other activities. Enterprises and public institutions that discharge pollutants shall establish an environmental protection responsibility system and specify the responsibilities of the persons-in-charge of the entities and the relevant personnel.

Under the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste (中華人民共和國固體廢物污染環境防治法) (the “**Solid Waste Control Law**”), adopted in 1995, revised on 29 December 2004 and on 29 June 2013 respectively, for the prevention and control of environmental pollution caused by solid waste, the State implements the principle that any entity or individual causing the pollution shall be responsible for it in accordance with law. The manufacturers, sellers, importers and users shall be responsible for the prevention and control of solid wastes pollution produced thereby. The construction of projects which discharge solid wastes and the construction of projects for storage, use and treatment of solid wastes shall be carried out upon the appraisal regarding their effects on environment and in compliance with the relevant state regulations concerning the management of environmental protection in respect of construction projects.

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) (the “**Noise Control Law**”), which became effective on 1 March 1997, facilities for prevention and control of environmental noise pollution must be designed, built and put into use simultaneously with the main part of a construction project. Before a construction project is put into production or use, its facilities for prevention and control of environmental noise pollution must be inspected by the competent administrative department for environmental protection that originally approved the environmental impact statement; if such facilities fail to meet the requirements of the State, the construction project may not be put into production or use.

Our Group did not carry out any construction activities when performing the contracts in the PRC in reality. Therefore, EP Law, Solid Waste Control Law and Noise Control Law are not applicable to our Group.

Regulations on Taxation

Enterprise Income Tax (“EIT”)

The Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) (the “**EIT Law**”), enacted on 16 March 2007 and effective on 1 January 2008, adopts a tax rate of 25% for all enterprises (including foreign-invested enterprises).

Under the EIT Law, enterprises are divided into resident enterprises and non-resident enterprises. “Non-resident enterprises” shall refer to enterprises that are set up in accordance with the law of the foreign country (region) whose actual administration institution is outside the PRC, but have set up institutions or establishments in the PRC or, without institutions or establishments set up in the PRC, have income originating from the PRC. Non-resident enterprises that have not set up institutions or establishments in the PRC, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set up institutions or establishments, shall pay enterprise income tax in relation to their income originating from the PRC.

REGULATORY OVERVIEW

Pursuant to the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the “**Regulations on EIT Law**”), promulgated by the State Council on 6 December 2007, and effective on 1 January 2008, a reduced enterprise income rate of 10% will be applicable to the above-mentioned non-resident enterprise on the incomes derived from the PRC.

Value Added Tax (“VAT”)

Pursuant to the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and amended on 5 November 2008, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例實施細則) promulgated on 15 December 2008 and revised on 28 October 2011, all entities and individuals in the PRC engaging in sale of goods, processing and repair and replacement services, and import of goods are required to pay VAT for the added value derived from the process of manufacture, sale or services. Except for some limited circumstances that the VAT rate is 13%, the general rate of VAT is 17%. In addition, when exporting goods, the exporter is entitled to a portion of or all the refund of VAT that it has already paid or borne.

Since May 2013, a nationwide pilot program of replacing business tax with VAT has been launched in transportation industry and some of the modern service industries. The Circular of the Ministry of Finance and the State Administration of Taxation on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax (財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知) (the “**Circular [2013] No. 116**”) was promulgated on 12 December 2013, came into effect on 1 January 2014 and was revised on 29 April 2014. Four regulations have been published accordingly, namely, Implementing Measures for the Pilot Program of Replacing Business Tax with Value-Added Tax (the “**Implementing Measures**”) (營業稅改徵增值稅試點實施辦法), Provisions on Issues concerning the Pilot Program of Replacing Business Tax with Value-Added Tax (營業稅改徵增值稅試點有關事項的規定), Provisions on Transitional Policies concerning the Pilot Program of Replacing Business Tax with Value-Added Tax (營業稅改徵增值稅試點過渡政策的規定), and Provisions on the Application of Zero-Rated Value-Added Tax and Value-Added Tax Exemption Policies to Taxable Services (應稅服務適用增值稅零稅率和免稅政策的規定).

Pursuant to the Implementing Measures, entities and individuals engaged in the provision of transportation services, postal services and some of the modern services (the “**Tax Payable Services**”) shall be considered as value added taxpayers. The Tax Payable Services include land transport services, waterway transport services, air transport services, pipeline transport services, regular postal services, special postal services, other postal services, research and development services, information technology services, culture and creative services, logistic assistance services, rental services of movable tangible assets, assurance and consultation services, as well as radio and television services. The followings are the tax rates for VAT: i) 17% for taxpayers providing rental services of movable tangible assets; ii) 11% for taxpayers providing transportation and postal services; iii) 6% for taxpayers providing modern services (excluding the rental services of movable tangible assets); and

REGULATORY OVERVIEW

iv) 0% for the Tax Payable Services clarified by the Ministry of Finance and State Administration of Taxation. According to The Annotations of Taxable Services Scope (應稅服務範圍註釋), which is an appendix to the Implementing Measures, design service is sorted as culture creativity service which is one kind of modern services industries.

Tax on non-resident enterprise

Under the Interim Administrative Measures for the Tax Imposition on Non-Residents Contracting Construction Projects and Providing Labor Services (非居民承包工程作業和提供勞務稅收管理暫行辦法) (the “**Decree No. 19**”), promulgated by the State Administration of Taxation (the “**SAT**”) and effective on March 1, 2009, the term “contracting construction projects” refers to contracting construction, installation, assembling, repair, decoration, exploration and other engineering operations. The term “providing labor services” mentioned in these Measures refers to engaging in processing, repair and fitting, transportation, warehouse leasing, consultation agency, design, culture and sports, technology service, education and training, tourism, entertaining and other labor services in the PRC.

A non-resident enterprise contracting construction projects or providing labour services in the PRC shall, within 30 days upon the project contract or agreement is concluded, go through the taxation registration formality with the tax authority in the place where the project is located. An organisation or individual in the PRC contracting construction projects or labour projects to non-residents shall, within 30 days upon the project contract is concluded, submit the Form of Report on Contracting Construction Projects and Providing Labour Services of Organisations and Individuals. Where a non-resident enterprise contracts engineering operation or provides labor services in the PRC, it shall, within 15 days upon the completion of the project, submit relevant photocopies of the project completion certificate and verification certificate, etc. to the tax authority in the place where the project is located, and go through the taxation cancellation procedures.

Pursuant to the Circular of the State Administration of Taxation on Printing and Distributing of the Interim Administrative Measures for Source Withholding and Remittance of Non-Resident Enterprise Income Tax (國家稅務總局關於印發《非居民企業所得稅源泉扣繳管理暫行辦法》的通知) (the “**Guoshuifa [2009] 3**”), taking into effect on January 1, 2009, with regards to equity investment earnings such as dividends and bonuses, interest, rental income, use of franchise income, property transfer income, and other kinds of taxable income earned by non-resident enterprises from sources in the PRC, source withholding and remittance shall be implemented; as such, the withholding obligors are the entities or individuals which have the direct obligation to make payment of relevant funds to the non-resident enterprises pursuant to relevant laws or the stipulations of relevant contracts. When the withholding obligor and the non-resident enterprise first sign an aforesaid business contract, the withholding obligor shall, within 30 days from the date the contract is signed, report to the competent tax authority to carry out tax withholding registration. The withholding obligor shall establish accounting ledgers for withholding tax calculation and files for contract materials, accurately recording information relevant to income tax withholding and cooperating with the inspections of the tax authority.

REGULATORY OVERVIEW

Circular of the State Administration of Taxation on Printing and Distributing the Administrative Measures for the Final Settlement of the Enterprise Income Tax of Non-Resident Enterprises (國家稅務總局關於印發《非居民企業所得稅匯算清繳管理辦法》的通知) (the “Guoshuifa [2009] 6”) became effective on January 1, 2008. Pursuant to Guoshuifa [2009] 6, any non-resident enterprise which is established in accordance with the laws of a foreign country (region), with its actual management body out of the PRC and which has any establishment or office in the PRC, regardless of whether or not it makes a profit or loss, shall participate in the final settlement of income tax in accordance with the provisions of the EIT and relevant regulations.

Pursuant to the Implementing Measures, where an entity or an individual located outside the territory of the PRC (hereinafter referred to as “overseas”) provides taxable services within the territory without establishing permanent establishment within the territory, their agent shall be the withholding agent for VAT. Where there is no agent within the territory, the receiving party shall be the tax withholding agent.

Where an enterprise falls under any of the following circumstances, it is not necessary for the enterprise to participate in the final settlement of income tax for the current year: 1) Where the enterprise on a temporary basis undertakes projects or provides labour services for less than one year in the PRC, terminates its operation activities during the year and has paid up its tax; 2) Where the enterprise has applied for cancellation within the final settlement period; or 3) Other circumstances approved by the competent taxation authority in which it is not necessary for the enterprise to participate in the final settlement of income tax for the current year.

A non-PRC entity engages in DFD projects in the PRC would generally be subject to VAT and EIT in the PRC.

VAT is an indirect tax imposed on taxable services. For activities engaged by our Group, the applicable VAT rate is 6%. It is imposed on top of the service fee charged by our Group to the PRC clients.

EIT shall be computed on taxable income at a rate of 25%. According to the Administrative Measures Governing Enterprise Income Tax Collection of Non-resident Enterprises on a Deemed Basis (非居民企業所得稅核定徵收管理辦法), promulgated by the SAT and effective on 20 February 2010, for foreign enterprises having a permanent establishment in the PRC, their taxable profits would be determined by applying a deemed profit rate to its PRC sourced revenue at EIT rate of 25%. In view of the fitting out work and supervisory activities performed in the PRC, our Group is considered as having a permanent establishment in the PRC by the tax authorities for EIT purposes. For the activities engaged by our Group, the deemed profit rate is generally 20% and its effective EIT rate is 5% (i.e. 20% x 25%) on our PRC sourced revenue.

In view of the above, the PRC project revenue of our Group is subject to effective EIT rate at 5% and VAT rate at 6%, which are generally paid by the PRC customers before remittance to our Group.

REGULATORY OVERVIEW

Most of our Group's contracts with PRC customers contain clauses that (i) the PRC customers are required to settle the relevant PRC taxes in relation to our Group's service income derived from the contracts or (ii) a specific amount/percentage of PRC taxes is mentioned in the contracts and our Group would only receive the net-of-tax service income. In either scenario, the PRC customers would take care of the PRC tax filing, withholding and tax settlement procedures in the PRC and remit the agreed contract sum to our Group. Our Group recognised its revenue from PRC customers based on the contractual terms. Even if the PRC customers do not make the tax payments and the PRC tax authorities requests our Group to pay the PRC taxes, according to the contracts, our Group will be entitled to recover the same from the relevant PRC customers. Under such arrangement, our Group would not be responsible ultimately for PRC taxes and therefore no PRC tax provision is provided in our Group's accounts.

During the Track Record Period, there were contracts with some PRC customers (total revenue of approximately HK\$0.55 million during the Track Record Period) which did not explicitly indicate that the PRC customers are required to settle the relevant PRC taxes or our Group would only receive the net-of-tax service income. According to the prevailing PRC exchange control regulations, these PRC customers would also be required to file tax returns, withhold the relevant taxes and settle the taxes on behalf of our Group before the net-of-tax service fee can be remitted out of the PRC. Our Group has no information as to whether these customers have settled or not yet settled the relevant taxes with the relevant PRC authorities. Up to the Latest Practicable Date, our Group has not received any request or demand by any PRC government authority for payment of any such tax. As these customers should generally have already made the PRC tax payment as mentioned in the preceding paragraph; our Group only recognised its revenue from these customers based on the contractual terms; and subject to the terms and conditions of the Deed of Indemnity, SGL, Mr. Leong and Ms. Chew have provided indemnity for any tax liability incurred by any member of our Group at any time on or prior to the Listing Date, no PRC tax provision is provided in our Group's accounts for these contracts.

REGULATORY REQUIREMENTS IN MACAU

All corporations engaging in commercial activities in Macau are liable to Corporate Income Tax and should be registered with the Macau Finance Department (澳門財政局) for tax purposes. This includes all "interior fit out works", which is also known as "interior works" under the applicable Macau laws and regulations.

In order to carry out interior fitting out works in Macau, a company, has to be licensed by the DSSOPT as a contractor or a subcontractor.

The execution of interior fit out works comprises four categories: (i) minor works in units for residential purposes (家居簡單裝修工程), (ii) minor works in units for non-residential purposes (非家居簡單裝修工程), (iii) non-minor works in residential units (家居非簡單裝修工程) and (iv) non-minor works in non-residential units (非家居非簡單裝修工程).

REGULATORY OVERVIEW

A licence is not required for works of category (i) if the fit out works do not involve the alteration of the partitions inside the unit or the change of the use of the unit. In such case, the contractor or subcontractor should give DSSOPT prior notice of the commencement of the fit out works.

Our Directors confirm that our Group does not carry out any minor or non-minor fit out works on its own as a contractor or as a subcontractor in Macau, and hence is not subject to the above licensing requirement.

LAWS AND REGULATIONS REGARDING ENVIRONMENTAL PROTECTION IN MACAU

The fundamentals of the legal regime of safety and environmental law of Macau, applicable to individuals and corporations, are comprehended in the Macau Basic Law (the “**MBL**”), Law n.º 2/91/M, of March 11 (the Environment Law, the “**EL**”), the Criminal Code (crime of pollution) and Law n.º 8/2014 (Prevention and Control of Environmental Noise, the “**PCENL**”).

Article 119 of the MBL states that “The Macau SAR shall carry out the protection of environment in accordance with law”. To implement this principle together with the EL, the PCENL and other applicable international conventions, legislation and regulations (in the form of laws, decree-laws or administrative regulations) have been enacted over time regarding various areas as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc..

As a general rule set by the EL, any violation of the environmental legislation attracts civil liability (for damages), and may be punishable as an administrative fault or a crime, depending on the nature and seriousness of the violations, and may be subject to administrative injunction in order to stop it.

According to the PCENL, fit out works that may produce a disturbing noise are forbidden during Sundays and public holidays and between 7:00 p.m. and 9:00 a.m. of the following day on weekdays.

The regulatory authority in charge of environmental protection matters is the Environmental Protection Bureau of Macau.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY OF OUR GROUP

BUSINESS HISTORY

Our Group's business started in 1996 when Mr. Leong and Ms. Chew, together with an Independent Third Party, utilised their respective financial resources and established LCL Architects in Hong Kong. Mr. Leong and Ms. Chew were then Registered Architects under the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong) practising for about four and two years, respectively, when they first started LCL Architects and had significant experience with several reputable architectural firms in the building industry and in-depth knowledge in the building and interior design industry. For further details of the background and relevant experience of Mr. Leong and Ms. Chew, our executive Directors, please refer to the section headed "Directors and Senior Management" in this prospectus. LCL Architects was initially set up for providing mainly one-stop integrated interior design services. Since 1996, our Group has been engaged in the provision of one-stop integrated interior design solutions and there has been no material change in our business.

Since our Group's inception, Mr. Leong and Ms. Chew's vision has been to maintain a hands-on approach and to provide quality and design services. We strive to keep the size and numbers of the projects on hand manageable with a view to maintaining the quality and timelines of services we provide. We keep a portfolio of projects that will enable us to attract and retain the necessary skilled personnel to undertake the projects on hand. Through our continuous effort, our Group has cooperated with top property developers in the region and gained maximum exposure in the industry, pursuant to which we have built our brand name and image and leveraged on such knowledge and experience. For further particulars on business strategies of our Group, please refer to the section headed "Business — Corporate Strategies" in this prospectus.

Business Milestones

The key milestones in our Group's development to date are set out below:

Date	Event/Milestone
1996	The establishment of LCL Architects marked the commencement of our Group's service
1999	Our Group contracted with its first corporate client in respect of provision of integrated interior design solutions business
2000	LCL Deco was established
2002	LCL Architects was awarded with "The Hong Kong Institute of Architects Merit Award — Residential Buildings Category" for the design of <i>56 Plantation Road</i>
2004	LCL Ltd. was established

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date	Event/Milestone
2007	LCL Interior, LCL Construction and Crystal Sky were established
2011	LCL Design and LCL Decoration were established
2014	LCL China was established
2015	Crystal Sky was disposed to Mr. Leong and resolutions were passed for appointing a voluntary liquidator to proceed with its voluntary liquidation

CORPORATE HISTORY

As at the Latest Practicable Date, our Group comprised our Company, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior, LCL Ltd. and SBHL.

Set out below are the particulars of all our subsidiaries as at the Latest Practicable Date.

Name of subsidiaries	Principal business activities	Date of incorporation and date of commencement of business (if applicable)	Interest attributable to our Group
SBHL	Investment holding	10 November 2014 <i>(Note: SBHL is only an investment holding company and has never commenced business.)</i>	100%
LCL Architects	Provision of one-stop integrated interior design solutions	28 March 1996	100%
LCL Deco	Provision of one-stop integrated interior design solutions	24 July 2000	100%
LCL Ltd.	Provision of one-stop integrated interior design solutions	12 March 2004	100%
LCL Construction	Provision of one-stop integrated interior design solutions	25 May 2007	100%
LCL Interior	Provision of one-stop integrated interior design solutions	25 May 2007	100%
LCL Design	Provision of one-stop integrated interior design solutions	23 June 2011	100%
LCL Decoration	Provision of one-stop integrated interior design solutions	29 June 2011	100%
LCL China	Provision of one-stop integrated interior design solutions	30 January 2014	100%

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following is a brief corporate history of the establishment and major changes in the shareholdings of our Company and our subsidiaries.

Our Company

For the purpose of the Listing, our Company was incorporated on 19 January 2015 in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. One Share, representing the then entire issued share capital of our Company, was allotted and issued to the initial subscriber of our Company, Sharon Pierson, an Independent Third Party, on the incorporation date.

On 19 January 2015, Sharon Pierson, an Independent Third Party, transferred the one Share she held to SGL for cash at par. As a result, our Company became a wholly-owned subsidiary of SGL.

Our Company has become the ultimate holding company of our Group as a result of the Reorganisation, details of which are set out in the paragraph headed “Reorganisation” below.

SBHL

On 10 November 2014, SBHL was incorporated in the BVI and it is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 19 January 2015, SBHL allotted and issued one share to our Company at par value and became a wholly-owned subsidiary of our Group.

LCL Architects

LCL Architects was incorporated on 28 March 1996 with limited liability in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Mr. Leong, Ms. Chew and an Independent Third Party subscribed for one share each as the initial subscribers for cash at par. On 2 March 2015, the Independent Third Party disposed of his one share in LCL Architects to Mr. Leong at a consideration of HK\$2,000,000, which was determined based on arm’s length negotiation between the parties taking into the account of the unaudited net assets value of such share as at 31 January 2015. Upon completion of the transfer, LCL Architects was owned as to approximately 66.66% and 33.33% by Mr. Leong and Ms. Chew, respectively. LCL Architects is currently a corporate member of The Hong Kong Institutes of Architects. During the Track Record Period, LCL Architects had never provided any architectural services.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

LCL Deco

LCL Deco was incorporated on 24 July 2000 with limited liability in Hong Kong. At the time of incorporation, LCL Deco had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. LCL Deco allotted and issued 5,000 shares to each of the initial subscribers (Mr. Leong and an Independent Third Party) for cash at par. On 2 March 2015, the Independent Third Party disposed of all his 5,000 shares in LCL Deco to Mr. Leong at a consideration of HK\$500,000, which was determined based on arm's length negotiation between the parties taking into the account of the unaudited net assets value of such shares as at 31 January 2015. Upon completion of the transfer, LCL Deco became wholly-owned by Mr. Leong.

LCL Ltd.

On 12 March 2004, LCL Ltd. (previously known as World Ascent Limited) was incorporated as a limited liability company in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Upon its incorporation, one subscriber share was issued to the subscriber (a nominee company provided by a service provider) for cash at par. On 19 May 2004, such subscriber share was transferred to Mr. Leong, our Chairman and executive Director, for cash at par and one share was allotted and issued to Ms. Chew, our executive Director, for cash at par on the same day.

On 22 February 2005, 38 shares and 37 shares were allotted and issued to Mr. Leong and Ms. Chew and 25 shares in total were allotted and issued to four Independent Third Parties, respectively, for cash at par. On 27 February 2009, two of the said Independent Third Parties, both being former employees of our Group, disposed of all their 12 shares in total in LCL Ltd. to Mr. Leong upon their resignation as employees of our Group at par. Upon completion of the transfer, LCL Ltd. was owned as to 50%, 37% and 13% by Mr. Leong, Ms. Chew and two Independent Third Parties, respectively. On 23 January 2015, the two Independent Third Parties disposed of all their 13 shares in total in LCL Ltd. to Ms. Chew at a total consideration of approximately HK\$111,000, which was determined based on the unaudited net assets value of LCL Ltd. as at 30 October 2014. The considerations for the above transfer of shares in LCL Ltd. were arrived at after arm's length negotiations between parties and were based on normal commercial terms. The respective transactions were properly and legally completed and were settled.

LCL Construction

LCL Construction was incorporated on 25 May 2007 with limited liability in Hong Kong. At the time of its incorporation, LCL Construction had an authorised share capital of HK\$1,000,000 divided into 1,000,000 ordinary shares of HK\$1.00 each. Upon incorporation, LCL Construction allotted and issued 199,999 shares and one share to Mr. Leong and Ms. Chew, respectively as the initial subscribers, for cash at par.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

LCL Interior

LCL Interior, one of the operating subsidiaries of our Group, was incorporated on 25 May 2007 with limited liability in Hong Kong. At the time of its incorporation, LCL Interior had an authorised share capital of HK\$1,000,000 divided into 1,000,000 ordinary shares of HK\$1.00 each. Upon its incorporation, LCL Interior allotted and issued 199,999 shares and one share to Mr. Leong and Ms. Chew, respectively for cash at par as the initial subscribers.

LCL Design

LCL Design was incorporated on 23 June 2011 with limited liability in Hong Kong. At the time of its incorporation, LCL Design had an authorised share capital of HK\$1,000,000 divided into 1,000,000 ordinary shares of HK\$1.00 each. Mr. Leong, and Ms. Chew are the founding shareholders. 199,999 shares and one share were allotted and issued to Mr. Leong and Ms. Chew, respectively upon its incorporation for cash at par.

LCL Decoration

LCL Decoration was incorporated on 29 June 2011 with limited liability in Hong Kong. Mr. Leong, Ms. Chew and two Independent Third Parties are the founding shareholders. At the time of its incorporation, LCL Decoration had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Upon its incorporation, 50 shares, 37 shares were allotted and issued to Mr. Leong, Ms. Chew and a total of 13 shares were allotted and issued to two Independent Third Parties respectively as initial subscribers for cash at par. On 23 January 2015, the two Independent Third Parties separately disposed of all their interest in LCL Decoration to Ms. Chew at a total consideration of approximately HK\$276,000, which was determined based on the unaudited net assets value of LCL Decoration as at 30 October 2014.

LCL China

LCL China was incorporated on 30 January 2014 with limited liability in Hong Kong. At the time of its incorporation, LCL China had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Upon its incorporation, Mr. Leong and Ms. Chew subscribed for 5,000 shares and 5,000 shares, respectively as the initial subscribers for cash at par.

Crystal Sky

Crystal Sky was incorporated on 21 May 2007 with limited liability in the BVI and it is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 8 June 2007, Crystal Sky allotted and issued 75 shares and 25 shares to Mr. Leong and Ms. Chew, respectively. On 19 January 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in Crystal Sky to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid, thereafter Crystal Sky became a wholly-owned subsidiary of SBHL.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

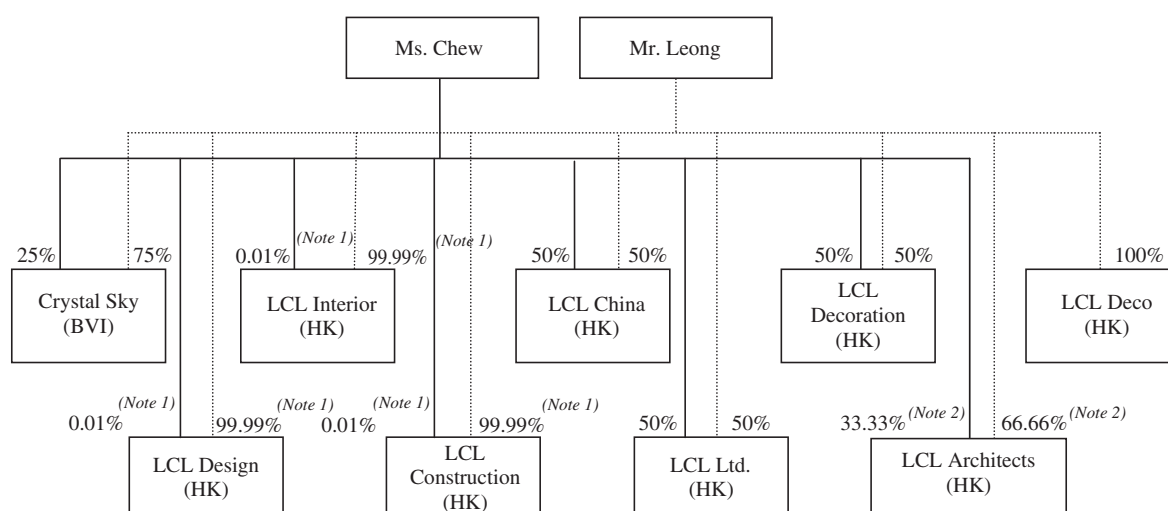
On 4 August 2015, SBHL and Mr. Leong entered into a sale and purchase agreement, pursuant to which SBHL agreed to transfer the entire issued share capital of Crystal Sky at the consideration of approximately HK\$974,000 to Mr. Leong. The consideration for the transfer was determined based on the net assets value of Crystal Sky according to the management accounts of Crystal Sky as at 31 July 2015. Following the disposal, Crystal Sky ceased to become a wholly-owned subsidiary of SBHL. Crystal Sky has passed resolutions appointing a voluntary liquidator to proceed with its voluntary liquidation on 13 August 2015.

REORGANISATION

To streamline and rationalise the corporate structure and business activities, our Company was incorporated on 19 January 2015 to facilitate the restructuring exercise for the Listing, which involved the following steps:

Corporate structure prior to the Reorganisation

The following chart sets out the corporate structure of our Group immediately prior to the Reorganisation:



Notes:

- (1) Percentages have been rounded to two decimal places.
- (2) Percentages do not add to 100% due to rounding.

Incorporation of offshore investment vehicle by Mr. Leong and Ms. Chew

On 10 November 2014, SGL was incorporated in the BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On the same day, 75 shares and 25 shares were allotted and issued to Mr. Leong and Ms. Chew at par. As at the Latest Practicable Date, SGL was held as to 75% and 25% by Mr. Leong and Ms. Chew, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisition of shareholding interests in each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. from Mr. Leong and/or Ms. Chew by SBHL

Our Group carried out the following restructuring exercises in order to make each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. under one common shareholder, SBHL,

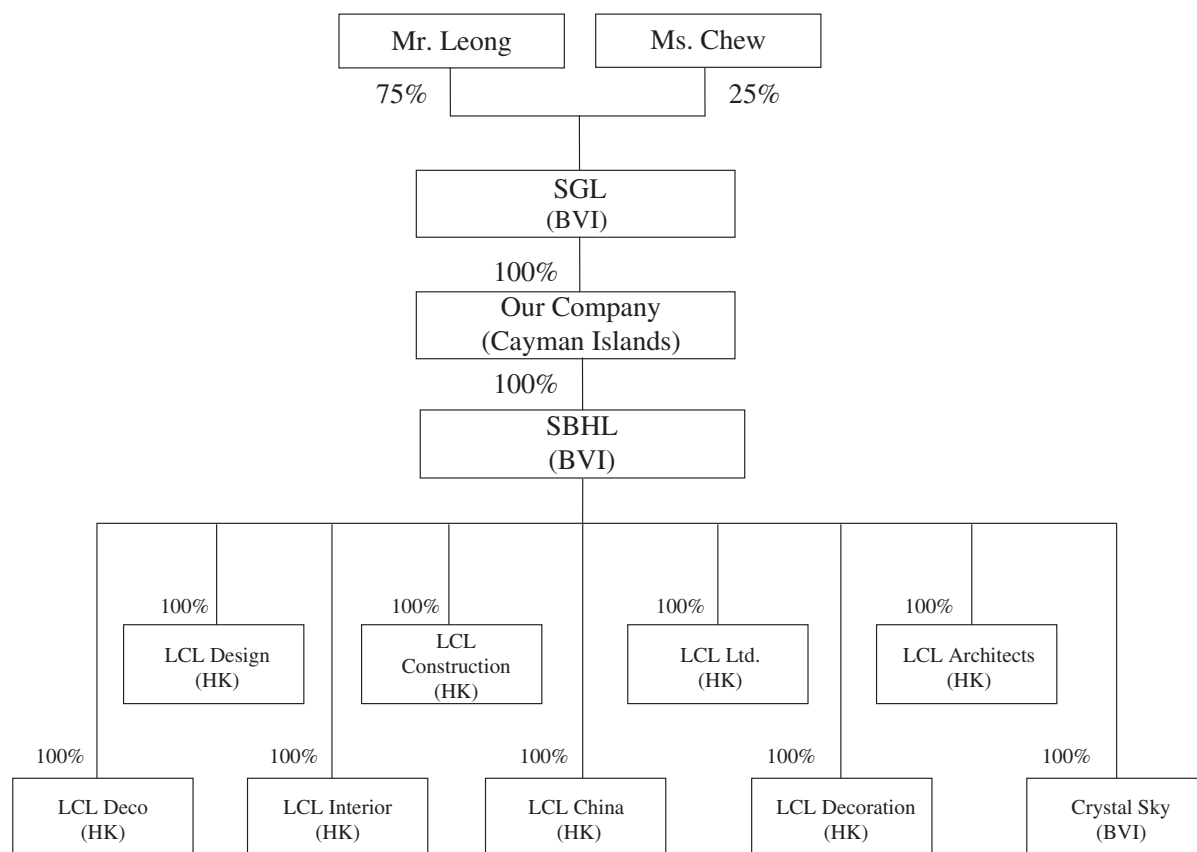
- (i) on 19 January 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in Crystal Sky to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (ii) on 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Architects to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (iii) on 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL China to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (iv) on 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Construction to SBHL (as directed by our Company) in consideration of the allotment and issue of nine Shares and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid and the crediting as fully paid at par the one nil-paid Share in issue and registered in the name of SGL;
- (v) on 3 August 2015, Mr. Leong transferred his entire shareholding interest in LCL Deco to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share by our Company to SGL (as directed by Mr. Leong) credited as fully-paid;
- (vi) on 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Decoration to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (vii) on 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Design to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (viii) on 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Interior to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid; and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(ix) on 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Ltd. to SBHL (as directed by our Company) in consideration of the allotment and issue of one Share and one Share by our Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid.

Following the above steps of Reorganisation, each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. has become a direct wholly-owned subsidiary of SBHL.

The following chart sets out the corporate structure of our Group immediately following the acquisition of shareholding interests in each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. from Mr. Leong and Ms. Chew by SBHL but before the Share Offer (without taking into account of any Shares to be issued upon the exercise of options to be granted under the Share Option Scheme):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Disposal of Crystal Sky

Crystal Sky was owned as to 75% and 25% by Mr. Leong and Ms. Chew immediately prior to the Reorganisation. Given that a minority interest in a number of our subsidiaries of our Group at the time of incorporation was held by some Independent Third Parties who did not hold any directorship in the subsidiaries, it was agreed among the shareholders that there should be an internal arrangement of our Group to remunerate Mr. Leong and Ms. Chew, who have in-depth knowledge and expertise in interior design and have built up long-term business relationship with Hong Kong and PRC property developers. In light of the foregoing, Crystal Sky was set up and formally engaged to provide in-house consultancy services to our Group internally, which includes (i) advising on the markets trends of the PRC market in respect of our integrated interior design solutions projects in the PRC and (ii) referring PRC projects to our Group. In return, our Group paid a consulting fee to Crystal Sky.

Such internal remuneration arrangement was subsequently applied to our projects in Hong Kong as well. Our Directors confirmed that such internal consultancy services were rendered in Hong Kong only and no business activities were conducted in the PRC. Crystal Sky has not engaged any employee in Hong Kong or in the PRC. Further, during the Track Record Period, Crystal Sky had only contracted with the subsidiaries of our Group and it had not solicited any business from or negotiated with the customers of our Group.

Subsequently, in order to act in the benefits of all shareholders, it was proposed by our then existing minority shareholders by the end of the year ended 30 September 2013 and agreed by Mr. Leong and Ms. Chew that our Group should discontinue the above internal remuneration arrangement and Crystal Sky has become inactive since 1 October 2013. Given that Mr. Leong and Ms. Chew have been the directors of the subsidiaries of our Group since their incorporations, and the above was an internal arrangement of our Group for rewarding Mr. Leong and Ms. Chew only, there is no discontinued consultancy business on the part of Crystal Sky upon the above proposal.

As Crystal Sky did not have any business operations for the year ended 30 September 2014, our management decided to wind up Crystal Sky voluntarily and therefore appointed a tax expert, RSM Nelson Wheeler Tax Advisory Limited, to review Crystal Sky's tax position in late November 2014 for the purpose of obtaining the tax clearance. After preliminary review of Crystal Sky's draft management accounts and related accounting documents, our tax expert considered that Crystal Sky might have Hong Kong profits tax exposure and recommended the management to inform Crystal Sky's chargeability to tax to the Inland Revenue Department. For details of the profit tax exposures, please refer to section headed "Business — Legal Compliance and Risk Management" in this prospectus.

For the purposes of Listing and in order to consolidate all the financial results of Crystal Sky to our Group (which significantly demonstrated Mr. Leong's and Ms. Chew's key contribution to our Group and was part of our Group's project income during the Track Record Period), the entire issued share capital of Crystal Sky was transferred from Mr. Leong and Ms. Chew to SBHL as part of the Reorganisation. For further details, please refer to the paragraph headed "Acquisition of shareholding interests in each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. from Mr. Leong and/or Ms. Chew by SBHL" above. Given that all the financial results of Crystal Sky have been consolidated to our Group upon

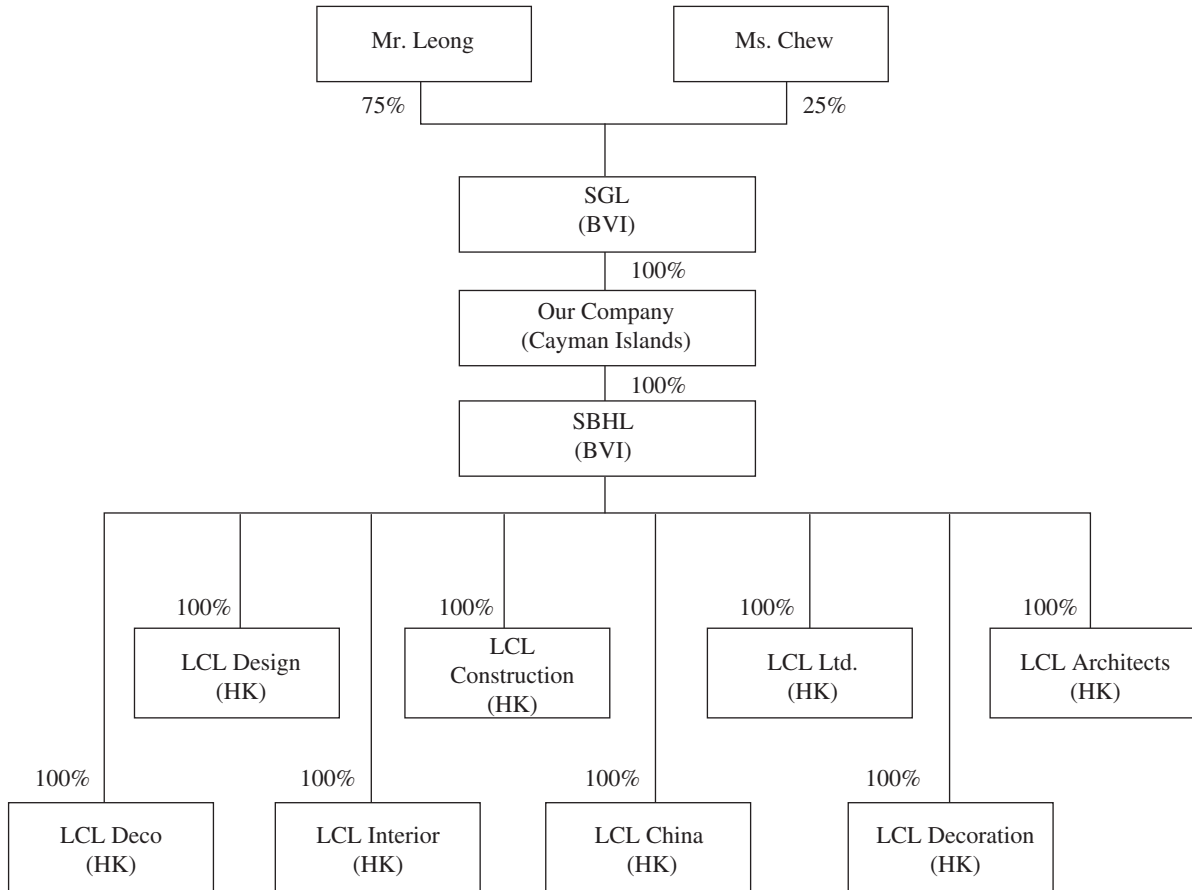
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

the acquisition and with a view to further streamline our corporate structure, we disposed of Crystal Sky, which has become inactive since 1 October 2013. On 4 August 2015, SBHL and Mr. Leong entered into a sale and purchase agreement, pursuant to which SBHL agreed to transfer the entire issued share capital of Crystal Sky at the consideration of approximately HK\$974,000 to Mr. Leong. The consideration for the transfer was determined based on the net assets value of Crystal Sky according to the management accounts of Crystal Sky as at 31 July 2015. Crystal Sky generated net profit/ (loss) of approximately HK\$19.3 million, HK\$14.4 million, HK\$(8,500) and nil for the three years ended 30 September 2014 and the five months ended 28 February 2015 respectively. Crystal Sky had not generated any revenue and had been inactive for the year ended 30 September 2014. The net asset value of Crystal Sky as at 30 September 2012, 2013 and 2014 and 28 February 2015 were approximately HK\$4.6 million, HK\$1.0 million, HK\$1.0 million and HK\$1.0 million respectively. As the consideration for the disposal of Crystal Sky was based on its net asset value, the disposal of Crystal Sky did not result in any gain or loss on our Group. Moreover, as Crystal Sky has become inactive since 1 October 2013, the disposal of it will not affect our Group's financial performance and business. The full amount of the total tax involved for the years of assessment 2009/10 to 2013/14 of approximately HK\$13.1 million, together with the estimated penalty of approximately HK\$4.6 million (i.e. approximately HK\$17.7 million in aggregate), has already been provided for in our audited financial results. In the event that the tax and penalty payable by Crystal Sky exceeds the amount provided for in our audited financial results (i.e. approximately HK\$17.7 million), our Controlling Shareholders will indemnify our Group in accordance with the terms and conditions of the Deed of Indemnity. Further, according to the terms of the sale and purchase agreement dated 4 August 2015 and entered into between SBHL as vendor and Mr. Leong as purchaser in respect of the sale and purchase of all the shareholding interests of SBHL in Crystal Sky, Mr. Leong will indemnify our Group of any tax liability incurred on or before 19 January 2015 (being the date on which our Group first acquired the entire issued share capital in Crystal Sky as described in further details in the paragraph headed "Acquisition of shareholding interests in each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. from Mr. Leong and/or Ms. Chew by SBHL" above), or on or after the date of the abovementioned agreement. On the above basis, our Group shall not be liable for any liabilities in relation to the tax payable by Crystal Sky upon the disposal of Crystal Sky. Crystal Sky has passed resolutions appointing a liquidator to proceed with its voluntary liquidation on 13 August 2015.

Following the above step of Reorganisation, each of LCL China, LCL Construction, LCL Decoration, LCL Design, LCL Interior, LCL Ltd., LCL Deco and LCL Architects has become a direct wholly-owned subsidiary of SBHL.

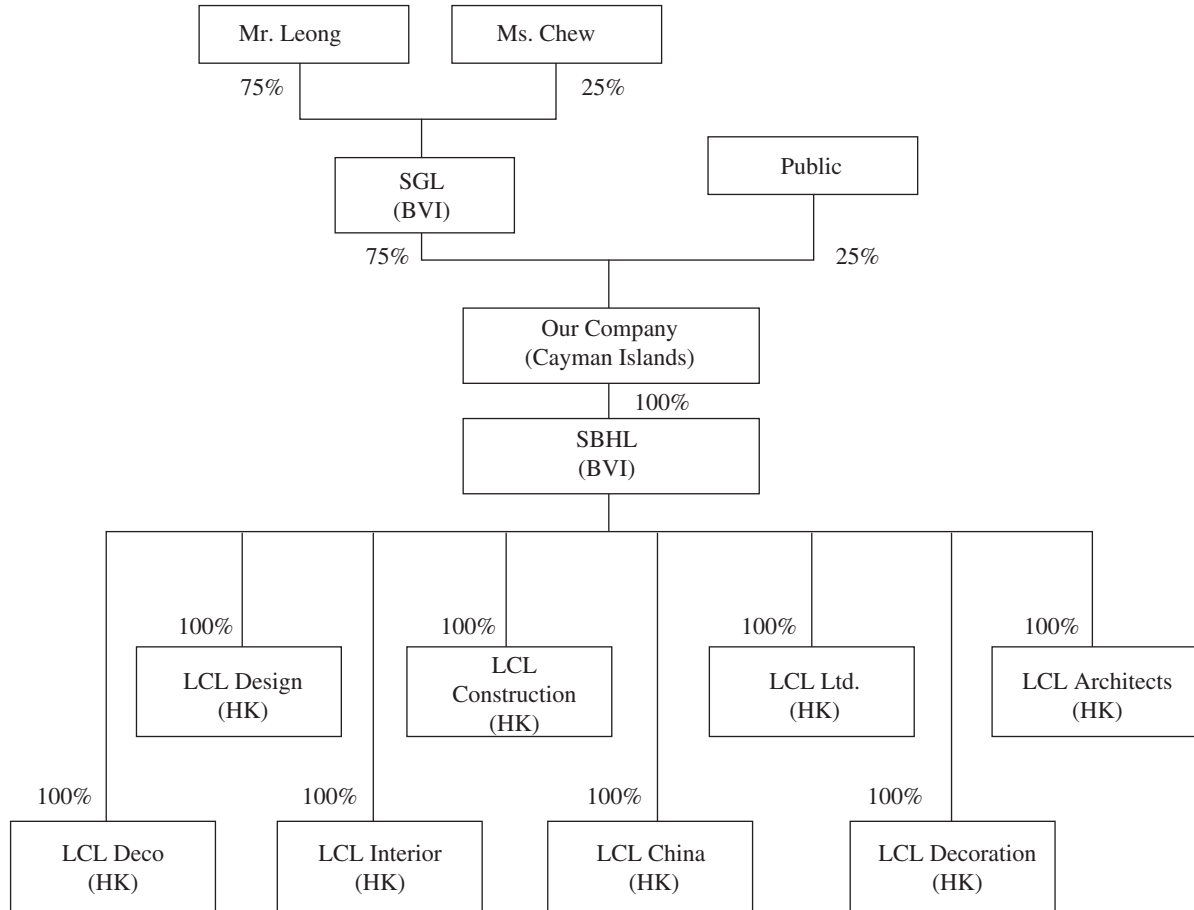
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the corporate structure of our Group immediately following the Reorganisation but before the Share Offer (without taking into account of any Shares to be issued upon the exercise of options to be granted under the Share Option Scheme):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding structure of our Group immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares to be allotted and issued upon the exercise of options to be granted under the Share Option Scheme):



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OVERVIEW

We are a one-stop integrated interior design solutions provider based in Hong Kong. Our integrated interior design solutions include design, fit out, and decoration. We are also responsible for the overall project management. Our customers can choose from one or a combination of our solutions. The provision of our services to our customers can be broadly classified into two major types of projects, (i) design and/or decoration (“**DD**”) and (ii) design, fit out and decoration (“**DFD**”).

When we are engaged by our customers, we are typically responsible for the overall project implementation by providing or coordinating with our material suppliers and subcontractors to provide the necessary materials, labour, expertise and technical know-how required and place our customers in their desired market position and meet our customers’ expectation on time and within budget. Since establishing our Group in 1996, we have been instrumental in providing unique and innovative designs and high quality fit out and decoration services to our customers whilst maintaining the philosophy to maintain a steady and gradual growth in the pursuit of quality and design excellence in a timely manner.

During the Track Record Period, we primarily focused on the residential property segment in Hong Kong, the PRC and to a lesser extent in Macau. During the Track Record Period, over 90% of our revenue were derived from our Group Customers who are either Hong Kong blue chip listed property developers or Hong Kong listed companies. For each of the three years ended 30 September 2014 and the five months ended 28 February 2015, we had a total of 32, 27, 20 and 22 on-going and completed projects respectively. The average contract size of our Group’s DD projects and DFD projects during the Track Record Period were HK\$1.9 million and HK\$18.4 million, respectively. As at the Latest Practicable Date, our Group had 32 on-going projects with a total outstanding contract sum up to 30 June 2015 of approximately HK\$109.5 million.

Our Group’s drive, passion and exquisite attention to details from design to fit out to decoration has enabled our Group to garner the trust and appreciation from our customers and enabled our Group to become one of the reputable players in the integrated interior design services market in Hong Kong. We believe that a distinguishing factor for the success of an integrated interior design solutions provider vests in its ability to create a design which could assist with our customers’ market positioning and successfully complete the projects to their specifications and satisfaction.

Further, our Directors believe that our ability to realise our customers’ most far-fetched concepts and make them a reality for them with finesse and speed has been critical not only to our success but also to our maintaining a close relationship with our customers. To achieve timely completion of the projects for our customers at a high quality standard acceptable to them, we leverage on our long established relationships with our experienced and reliable material suppliers and service subcontractors to provide quality materials and subcontracting services. For details, please refer to the section headed “Business — Competitive Strengths” in this prospectus.

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Our Group's revenue has principally been driven by the demand of our customers and the geographical expansion of our customers' property developments, which in recent years, have been in Hong Kong, the PRC and to a lesser extent, Macau. For the three years ended 30 September 2014 and the five months ended 28 February 2015, our revenue amounted to approximately HK\$270.3 million, HK\$183.4 million, HK\$113.8 million and HK\$56.2 million respectively.

COMPETITIVE STRENGTHS

We believe that our success since our establishment in 1996 has been primarily a result of our competitive strengths, as outlined in the paragraphs below. We believe that our competitive strengths have set us apart from our competitors and have enabled us to become one of the reputable integrated interior design solutions providers in Hong Kong.

We have stable and long-term customer relationships with our major Group Customers that include listed property developers

We have established stable and long-term business relationships with our major Group Customers that mainly include Hong Kong blue chip listed property developers and Hong Kong listed companies. During the Track Record Period, the majority of projects awarded to us have been given or referred by our recurring customers. Together with our unique design capabilities, by nurturing and maintaining our close relationship with our customers, we are able to ensure that our Group will be informed of our customers' upcoming projects allowing us to keep ourselves updated of the market potentials. Throughout the Track Record Period, our Group Customers that have had a business relationship with us for over seven years contributed to approximately 93.8%, 83.7%, 84.8% and 82.3% of our revenue for the three years ended 30 September 2014 and the five months ended 28 February 2015, respectively.

Further, by maintaining a close relationship with our customers, we believe that we are able to gain a better understanding of our customers' needs and preferences to allow for our design to tell our customers' stories with sophistication and confidence. Further, our ability to maintain a stable relationship with sizeable property developers and companies in Hong Kong and the PRC will provide a stable source of revenue to our Group.

Further information on our customers is set out in the section headed "Business — Customers" in this prospectus.

We have strong and stable relationships with our quality suppliers

We have established good and long-term relationships with our suppliers. We procure and purchase some of our materials and obtain services from suppliers mostly renowned in the industry. Most of our major suppliers are reputable industrial players which possess extensive experience in their respective fields. As at the Latest Practicable Date, we had over 50 approved subcontractors and over 120 approved material suppliers, of which many of whom have a relationship with us for over five years.

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Leveraging our suppliers' in-depth understanding of the industry and market trends, we closely communicate and collaborate with our major suppliers to regularly obtain the latest market information relating to DFD in anticipation of our customers' future needs. We believe that our strong and stable relationship with our suppliers have also helped us to strengthen our relationship with our key customers and maintain our competitiveness.

Further information of our suppliers is set out in the section headed "Business — Suppliers" in this prospectus.

We offer one-stop integrated interior design solutions

Our one-stop integrated approach which includes DFD coupled with project management gives our customers a one-stop service and provide them a convenient time and cost saving place to obtain a tailor-made and comprehensive solution to their projects. Our Directors understand that some other players in the industry can deliver only one of these components, leaving the customer in the midst among companies which provide one of our DFD services. With our one-stop integrated service approach, our Group is able to manage and coordinate different aspects of a project such as planning, market positioning, sourcing, designing, executing and coordinating with different suppliers, and endeavours to deliver a result that exceeds our customers' expectations.

We are able to effectively and efficiently manage our projects within our customers' time constraints

During the Track Record Period, we have undertaken a total of 73 projects of which 54 projects were completed and the remaining 19 projects were still on-going. During the Track Record Period, none of the completed projects were completed subject to payment by us of any penalty charges to our clients for late completion and delivery. Our Directors understand that timing is of the essence for most of our projects and therefore it is vital that completion and time of delivery meet our customers' timetable. Any delays may have a detrimental impact on our customers. To ensure timely completion of our projects, prior to accepting any potential projects, our management team will assess whether we have the ability to complete our customers' projects within their indicated timeframe and to deliver a suitable design and space which not only meets but exceeds our customers' expectations.

We believe that our ability to effectively and efficiently manage our services with our suppliers under strict timelines while delivering high quality solutions have been a major factor that has set us apart from our competitors.

We have a strong and experienced management team with proven track record

We are led by a seasoned management team with extensive experience in DFD as well as corporate management and we are spearheaded by our founders and executive Directors, Mr. Leong and Ms. Chew. Members of our management team have worked closely together since 1996 and have developed strong synergies in working and management style with their diverse yet complementary backgrounds. In particular, Mr. Leong's strong business vision and execution capabilities have led to

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a significant proven track record of building successful business throughout his career. Mr. Leong and Ms. Chew have over 22 years of experience in architectural design, interior design and fit out in Australia and Hong Kong and are both qualified and experienced architects and authorised persons (architect) in Hong Kong. Each member of our senior management team has over 10 years of experience in the integrated interior design industry. Their in-depth industry knowledge and extensive project management experiences have ensured smooth progression and completion of our projects. This has allowed us to secure numerous contracts over the years and assisted our formulation of proposals and thereby reduces the risk of cost overrun. For details of the qualification and experience of our Directors and senior management are set out in the section headed “Directors and Senior Management” in this prospectus.

CORPORATE STRATEGIES

Our principal business objectives are to develop our business and achieve sustainable growth. Our Directors will use their best endeavours to anticipate changes, yet allowing flexibility. We intend to achieve our business objectives by pursuing the following strategies:

Maintain and strengthen our market position in Hong Kong

We plan to strengthen our position in the industry by improving our services to meet the rising demands of our customers. We will keep track of the latest design and fit out trends in the industry and adopt those that will be able to improve our service quality. We will continue to leverage on our experience in the industry, scope of services and capacity to further explore our market potentials in Hong Kong. We intend to strengthen our business development capability by expanding our marketing efforts to enhance our relations with our customers and expand our customer base, through our plans to proactively approach and pay more visits to our recurring customers and target potential customers by contacting them through business referrals and our business network, and share with them information on the latest design and fit out trends and provide them with information on new concepts, styles, techniques and materials. Through this approach we aim to get a further comprehensive understanding on our existing and potential customers in their respective preferences and needs. With these insights, our Directors believe that we can develop a closer relationship with our customers in Hong Kong.

Though we have not entered into any long-term contracts with our customers, our Directors further believe that our marketing capability is crucial in maintaining and strengthening our customer base.

Expand further into the PRC market

In view of the growth potential in the PRC market, we intend to leverage on our established corporate brand name and our proven design capability, and increase resources to attract property developers in the PRC market. In this connection, we intend to establish new regional offices in Shanghai by 30 September 2016 and Beijing by 30 September 2017 to promote our services and to participate in various interior design and fit out exhibitions in the PRC, and to devote additional service enhancement and design resources to offer a wider range of designs tailored for the taste and preferences of the PRC market. After the establishment of the new PRC offices, the PRC offices may

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enter into contracts with PRC clients directly or our Hong Kong office may subcontract part of the contracted works with PRC clients to the PRC offices. In either case, the new PRC offices will be subject to 6% valued added tax on its service fee (same as our current exposure to value added tax) and 25% enterprise income tax on its actual profits (different from our current exposure at 25% of enterprise income tax rate under 20% of deemed profit rate). We do not expect any material change in our business model upon implementing such plan.

In this regard, we will apply a total of approximately HK\$18.5 million of our proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 September 2017.

Build our brand name recognition and strengthen our marketing efforts

We will build on our existing efforts to promote our brand and put marketing effort to increase our market share. We intend to promote our Group by building the brand of “LC”. Our Directors believe that we can further expand and increase our market share by further enhancing our marketing efforts as well as our quality of services. Our plans include (i) participating in industry exhibitions in relation to integrated interior design; (ii) preparing company brochure and marketing materials; (iii) advertising through various marketing platforms and (iv) soliciting new customers and providing customer service to our current expanded client base.

In this regard, we will apply a total of approximately HK\$13.8 million of our proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 September 2017.

Continue to recruit talents and enhance internal training to support future growth

Our Group believes that high caliber personnel is the foundation of our Group’s success. Our Group plans to retain more high caliber talents in management, design, decoration, finance, sales and marketing. We are committed to continuously providing training to our staff in respect of design and decoration skills, operational skills and supervisory skills so as to raise our standard and quality of services. In order to achieve this goal, we will organise regular internal trainings and seminars for our staff with a focus on design, decoration, finance and marketing in order to support our Group’s future growth.

In this regard, we will apply a total of approximately HK\$9.2 million of our proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 September 2017.

Selectively pursue acquisition of companies and/or businesses with similar business

We plan to consider opportunities to acquire companies and/or businesses which are primarily engaged in DFD works that complement our existing business to expand our contracting capabilities. We believe that pursuing these opportunities could enhance our competitiveness and further solidify our market position. The criteria of selection of potential targets include a reputable management,

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solid track record, good operating platform and good customer base. We will carefully consider and evaluate each potential acquisition on its merits to ensure that our existing business platform will derive appropriate benefits. As at the Latest Practicable Date, we have not identified any suitable investment target.

In this regard, we will apply a total of approximately HK\$41.5 million of our proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 September 2017.

For further details on the implementation of the above mentioned business strategies of our Group, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

BUSINESS OVERVIEW

We are a one-stop integrated interior design solutions provider based in Hong Kong. Our integrated interior design solutions include design, fit out, and decoration. We are also responsible for the overall project management. A brief description of each of our services is as follows:

Design Our design services will include the conceptual design of space’s interior which tries to capture the ethos or character of the space that is being designed. Each of our designs is created by a combination of our designer’s creativity and technical and material knowledge thus creating solutions for customers that are safe, functional, and attractive and, in particular, ones that are intended meet the needs of the people using the space;

Our design services normally encompass a variety of conceptual developments of our customers’ properties. Our designs in the form of 2D drawings can be formalised into a presentation board for presentation to our customers. The presentation board will encapsulate the general esthetic design and character of the space and is intended to allow for our customers to gain a better understanding of the texture and colour of fabrics and materials proposed to be used. Further details on our design process are set out in the section headed “Business — Operating Procedures — Design Stage” in this prospectus;

Fit out Our fit out management services is the actualisation of the design whereby our Group will coordinate, manage and arrange for fit out works to be subcontracted such as drafting works, steel works, woodworks, marble works, stone works, electrical works and water supply works. In some projects, our fit out subcontractors may also be responsible to supply or procure to supply the materials to be used in the fit out works such as lightings, toiletries, wallpapers, marbles, stones, wood, fabrics and curtains. Further details on our subcontracting of the fit out works are set out in the section headed “Business — Suppliers — Subcontractors” in this prospectus;

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Decoration Our decorating services is the accessorising of the interior space. Customers will request for us to also assist with the sourcing and accessorising of the space being designed and fitted out with decorations such as glasswares, flowers, electronics, kitchenwares, carpets, beddings, accessories and artworks thus enabling the interaction between the space and the accessories and thus complementing the space being designed.

The provision of our services to our customers can be broadly classified into two major types of projects, (i) DD and (ii) DFD. For each of our projects, we are also responsible for the overall project management. The project management services involve the process of planning, organising, motivating, and controlling of time, quality, resources, procedures and protocols to ensure our overall services adhere to our customers' expectations and timely and smooth progression of the project by resolving daily issues.

For the three years ended 30 September 2014 and the five months ended 28 February 2015, our total revenue generated from our services was approximately HK\$270.3 million, HK\$183.4 million, HK\$113.8 million and HK\$56.2 million, respectively. A breakdown of number of projects and our revenues generated by geographical location and by our types of services during the Track Record Period are set out in the below table:

	For the year ended 30 September						For the five months ended 28 February	
	2012		2013		2014		2015	
	<i>No. of projects</i>	<i>HK\$'000</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>No. of projects</i>	<i>HK\$'000</i>
Hong Kong								
DD	3	4,258	3	3,623	—	—	—	—
DFD	21	236,638	18	137,421	8	57,077	9	46,837
	<u>24</u>	<u>240,896</u>	<u>21</u>	<u>141,044</u>	<u>8</u>	<u>57,077</u>	<u>9</u>	<u>46,837</u>
The PRC								
DD	6	4,563	2	1,986	10	11,723	11	7,723
DFD	1	1,232	3	33,391	1	44,386	2	1,680
	<u>7</u>	<u>5,795</u>	<u>5</u>	<u>35,377</u>	<u>11</u>	<u>56,109</u>	<u>13</u>	<u>9,403</u>
Macau								
DD	—	—	—	—	1	600	—	—
DFD	1	23,602	1	7,008	—	—	—	—
	<u>1</u>	<u>23,602</u>	<u>1</u>	<u>7,008</u>	<u>1</u>	<u>600</u>	<u>—</u>	<u>—</u>
Total Revenue	<u>32</u>	<u>270,293</u>	<u>27</u>	<u>183,429</u>	<u>20</u>	<u>113,786</u>	<u>22</u>	<u>56,240</u>

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The below table sets out the details of the movements of our Group's number of on-going and completed projects during the Track Record Period:

Number of on-going projects at 1 October 2011	16
*Net change of number of pending projects during the year (<i>Note 1</i>)	(5)
Number of new projects awarded during the year	<u>21</u>
Number of on-going and completed projects at 30 September 2012	32
Number of projects completed during the year	<u>(15)</u>
Number of on-going projects at 30 September 2012	<u><u>17</u></u>
Number of on-going projects at 1 October 2012	17
*Net change of number of pending projects during the year (<i>Note 2</i>)	2
Number of new projects awarded during the year	<u>8</u>
Number of on-going and completed projects at 30 September 2013	27
Number of projects completed during the year	<u>(21)</u>
Number of on-going projects at 30 September 2013	<u><u>6</u></u>
Number of on-going projects at 1 October 2013	6
*Net change of number of pending projects during the year (<i>Note 3</i>)	2
Number of new projects awarded during the year	<u>12</u>
Number of on-going and completed projects at 30 September 2014	20
Number of projects completed during the year	<u>(10)</u>
Number of on-going projects at 30 September 2014	<u><u>10</u></u>
Number of on-going projects at 1 October 2014	10
*Net change of number of pending projects during the period (<i>Note 4</i>)	(4)
Number of new projects awarded during the period	<u>16</u>
Number of on-going and completed projects at 28 February 2015	22
Number of projects completed during the period	<u>(8)</u>
Number of on-going projects at 28 February 2015	<u><u>14</u></u>

* In order to present a clearer picture in respect of the number of projects that were actually attributable to our overall revenue for each of the respective year/period, projects without generating revenue during the year/period were regarded as pending projects which were excluded from on-going projects for the respective year/period. A pending project is considered to resume therein as long as revenue derived from the project is recognised during the respective year/period. Such projects represented mostly projects of which we have provided our design service and were pending to perform our fit out works and/or decoration works during the year/period for various reasons, such as, pending period for the completion of fit out works by other subcontractor or projects on held by our customers.

The net change of pending projects during the year/period are the net total of (i) number of projects that turned into pending projects during the year/period and (ii) number of pending projects that were resumed during the year/period.

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Note 1 Five projects were found pending during the year

Note 2 Two pending projects were resumed and three projects remained pending during the year

Note 3 Three pending projects were resumed and one project was found pending during the year

Note 4 Four projects were found pending and one project remained pending during the period

Our projects

During the Track Record Period, we had a total of 73 projects. The number of projects is calculated on the basis that all contracts relating to the same property are aggregated during the Track Record Period. For each of the three years ended 30 September 2014 and the five months ended 28 February 2015, we had a total of 32, 27, 20 and 22 on-going and completed projects respectively. All projects during the Track Record Period were located in Hong Kong, the PRC and Macau.

The below table sets out the number of projects and revenue generated by types of projects during the Track Record Period:

	For the year ended 30 September						For the five months ended 28 February	
	2012		2013		2014		2015	
	<i>No. of projects</i>	<i>HK\$'000</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>No. of projects</i>	<i>HK\$'000</i>
DD								
<i>Corporate (Note 2)</i>								
- Residential properties	8	7,621	5	5,609	10	11,723	10	6,573
- Hotel and others	1	1,200	—	—	1	600	1	1,150
Sub-total:	<u>9</u>	<u>8,821</u>	<u>5</u>	<u>5,609</u>	<u>11</u>	<u>12,323</u>	<u>11</u>	<u>7,723</u>
DFD								
<i>Private (Note 1)</i>								
- Residential properties	1	3,533	3	22,841	2	13,323	2	9,705
<i>Corporate (Note 2)</i>								
- Residential properties	22	257,939	19	154,979	6	77,546	8	38,545
- Hotel and others	—	—	—	—	1	10,594	1	267
Sub-total:	<u>23</u>	<u>261,472</u>	<u>22</u>	<u>177,820</u>	<u>9</u>	<u>101,463</u>	<u>11</u>	<u>48,517</u>
Total	<u>32</u>	<u>270,293</u>	<u>27</u>	<u>183,429</u>	<u>20</u>	<u>113,786</u>	<u>22</u>	<u>56,240</u>

Notes:

- (1) Private projects mainly include projects of high-end residential flats engaged directly by our individual customers or through a corporate entity for private use.
- (2) Corporate projects mainly include projects of residential properties, hotels and others engaged by our corporate clients, being mostly well-established property developers.

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Our projects undertaken during the Track Record Period varied in size, complexity and location and as such the duration for each project may vary on the time required to complete a project. We consider a project as being commenced with reference to (i) the first day covered by insurance taken out for the project work site; (ii) the date of receipt of first payment from our customers; (iii) our customers' confirmation of our Group's proposal or (iv) the date our Group issued purchase order to our suppliers for the same project. We consider a project as being completed with reference to (i) the date of our customers' acceptance and acknowledgement of our services; (ii) the date of delivery note for delivery of decorations and materials to the project work site or (iii) the date of our customers' acceptance and acknowledgement of the detailed design. Despite being considered a completed project, some of our projects will have a defect liability period whereby a portion of around 5% to 10% of our contract sum will only be settled after the defect liability period concludes. Further details on the defect liability period are set out in the section headed "Business — Operating Procedures — Execution Stage" in this prospectus.

The contract sum of our projects depends project by project which, during the Track Record Period, is usually above HK\$1 million. Set out below are the details of project awarded by contract sum in Hong Kong, the PRC and Macau:

	The PRC		Hong Kong		Macau	
	No. of projects awarded	Total Contract Sum <i>HK\$'000</i>	No. of projects awarded	Total Contract Sum <i>HK\$'000</i>	No. of projects awarded	Total Contract Sum <i>HK\$'000</i>
DD						
Less than HK\$1 million	11	6,749	—	—	—	—
HK\$1 million - HK\$10 million	15	41,830	4	9,593	1	3,000
More than HK\$10 million	—	—	—	—	—	—
	<u>26</u>	<u>48,579</u>	<u>4</u>	<u>9,593</u>	<u>1</u>	<u>3,000</u>
DFD						
Less than HK\$1 million	2	1,680	6	2,364	—	—
HK\$1 million - HK\$10 million	1	2,300	7	50,728	—	—
More than HK\$10 million	3	102,769	22	584,148	1	30,610
	<u>6</u>	<u>106,749</u>	<u>35</u>	<u>637,240</u>	<u>1</u>	<u>30,610</u>

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Projects in progress

As at the Latest Practicable Date, our Group had 32 on-going projects with a total outstanding contract sum up to 30 June 2015 of approximately HK\$109.5 million. Among them, our Directors estimated that 12, 14 and 6 of such on-going projects will be completed for the year ending 30 September 2015, 2016 and 2017 respectively and the contract sum of approximately HK\$64.3 million, HK\$39.3 million and HK\$5.9 million are projected to be recognised for the respective years. Our reporting accountants have performed procedures on the total contract sum according to Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by HKICPA. The following table sets out the details of our projects in progress as at the Latest Practicable Date excluding projects with total contract sum of less than HK\$100,000:

The PRC

Type of project	Total contract sum	Actual	Approximate	Approximate
		contract sum billed up to 30 June 2015	outstanding contract sum up to 30 June 2015	
	HK\$'000	HK\$'000	HK\$'000	
1 DD	180	—	180	—
2 DD	420	42	378	10%
3 DD	550	523	27	95%
4 DD	716	308	408	43%
5 DD	800	400	400	50%
6 DD	1,000	100	900	10%
7 DD	1,140	855	285	75%
8 DD	1,216	1,116	100	92%
9 DD	1,260	945	315	75%
10 DD	1,350	675	675	50%
11 DD	1,475	738	737	50%
12 DD	1,900	190	1,710	10%
13 DD	2,818	1,973	845	70%
14 DD	3,265	2,820	445	86%
15 DD	3,760	2,152	1,608	57%
16 DD	4,430	1,892	2,538	43%
17 DD	4,600	2,850	1,750	62%
18 DD	5,000	2,250	2,750	45%

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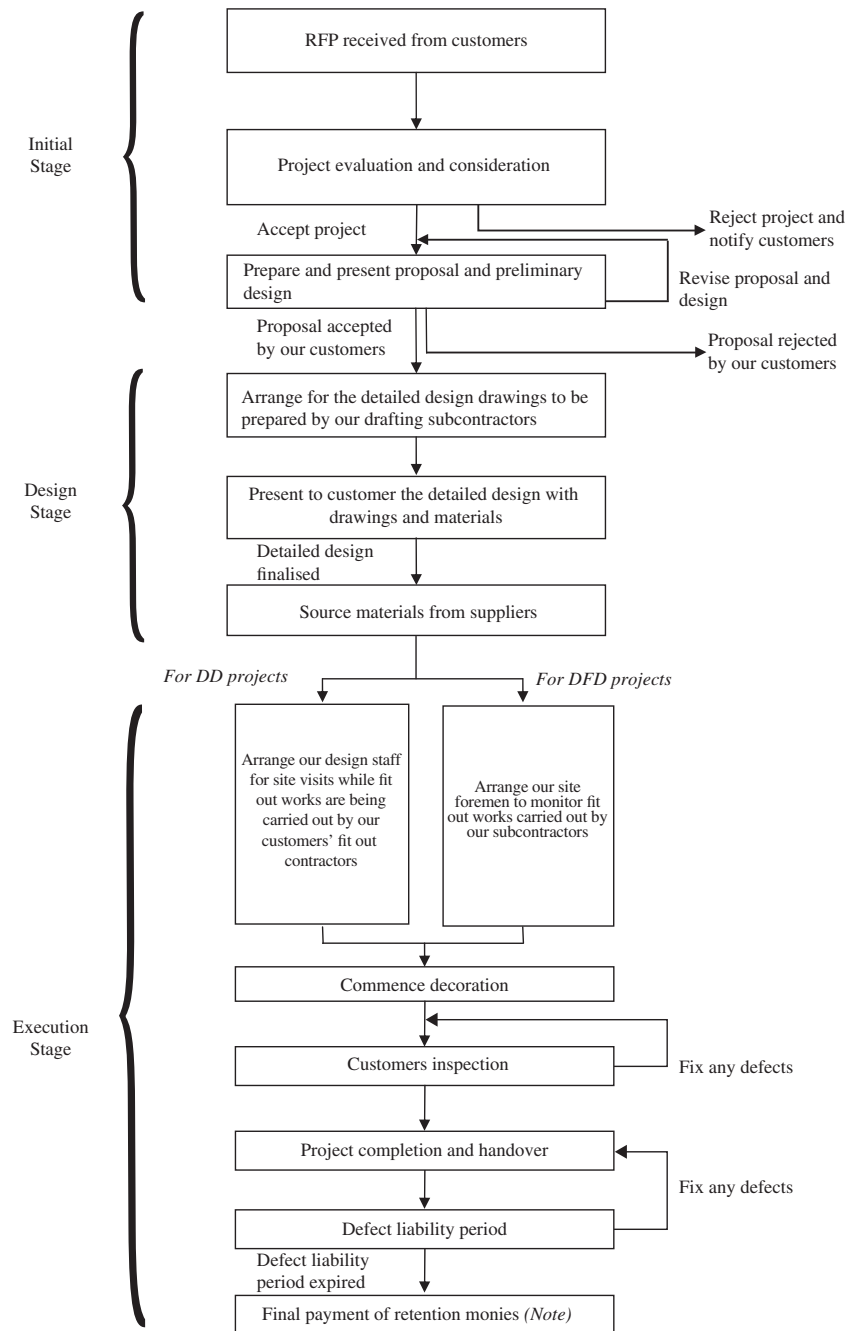
Hong Kong

Type of project	Total contract Sum	Actual contract sum billed up to 30 June 2015	Approximate expected outstanding contract sum up to 30 June 2015	Approximate % of completion
			HK\$'000	
1 DD	1,900	464	1,436	24%
2 DD	3,000	600	2,400	20%
3 DD	17,328	6,016	11,312	35%
4 DD	23,800	900	22,900	4%
5 DFD	100	70	30	70%
6 DFD	1,120	560	560	50%
7 DFD	1,930	—	1,930	—
8 DFD	4,605	—	4,605	—
9 DFD	6,197	2,585	3,612	42%
10 DFD	6,220	—	6,220	—
11 DFD	8,208	—	8,208	—
12 DFD	10,000	764	9,236	8%
13 DFD	11,104	3,015	8,089	27%
14 DFD	19,280	6,335	12,945	33%

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OPERATING PROCEDURES

For our DFD projects, the project duration is typically around 60 to 90 days, depending on the complexity of the project. For our DD projects, the duration will typically be longer as we are not directly involved or in control over the fit out works provided by other contractors. Our typical operating process is outlined below:



Note: Retention monies are generally applicable to corporate projects.

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Initial stage

RFPs received from customers

Each of our projects will typically originate with a written or verbal RFP. For RFPs received from individual customers, our proposals will typically be provided on our Group's own format. Though the type of customer may differ, our processing of these RFPs is principally the same as they both require us to submit a proposal with a breakdown of the works to be carried out.

Project evaluation and consideration

In deciding as to whether we take on a potential project, our management team will take into consideration principal factors such as our relationship with our customers, profile of target property buyers, location of project, nature of project, timing and complexity. If having considered the above factors, we consider that the potential project is in our Group's financial interest and capability, we will prepare and issue a formal proposal to our customers.

Prepare and present proposal, preliminary design

Our proposal will normally set out the price for the work, the breakdown description of the works to be carried out, the location of the works, our standard terms and conditions and the payment terms. Our price is generally formulated based on our estimated project costs and time plus a mark-up margin. Proposals issued on our Group's own format are prepared based on our knowledge, experience and database of materials and costs from time to time and will also take into consideration of historical proposals we have received from subcontractors for specific works. Our proposals are typically valid for a period of seven days from the date of issue though at times and subject to the approval by our Directors, we may also agree on proposals which have expired if there has been no material change to the overall pricing and scope of our services. Along with the proposal, we will also present to our customers a preliminary design, usually in the form of 2D and/or 3D drawings and layout plans and occasionally, presentation board. Matters that we will consider in our preliminary design will be, if required, interior finishes such as painting, wallcovering, flooring, ceiling and window treatments, moldings, cabinetry and countertops. Further, we will also consider whether any custom-designed pieces or treatments would be required. These ideas for the aesthetics of the space are encapsulated in a presentation board which allows a visual mapping of the space's feel and look and general concept of the design to be achieved. A presentation board will normally contain pictures of sample spaces similar to the preliminary design and the materials such as types of stone, steel, wood, marble and fabric that are proposed to be used.

Whilst the proposal for our services includes preliminary pricing of the works to be carried out, it is often the case that there may be alterations made to a design which may affect the overall pricing. Any changes to the agreed pricing will require written variation orders to be approved and signed by the customer. The basis of calculating the fee for the variation order is in line with our cost-plus pricing policy. During the Track Record Period and up to the Latest Practicable Date, we had no

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material dispute with our customers relating to variation orders. Further information on our customers is set out in the section headed “Business — Customers” in this prospectus.

Design stage

Once our customers accept our proposal, we will engage our drafting subcontractors to draft and prepare the detailed design based on the preliminary design prepared by our design team in the initial stage. In order to maintain our quality of services, our design team will review and comment on the works of our drafting subcontractors on a daily and on-going basis to ensure that the detailed design adheres to our customers’ specifications and expectations. Upon confirming the detailed design with our drafting subcontractors, depending on the type of works involved, we may be required to procure the necessary fit out materials. We will present detailed design which may also include a presentation board for our customers’ finalisation and thereafter pass the detailed design to our approved list of material suppliers in order to source our necessary fit out materials to be used for the project. Prior to ordering any fit out materials from our material suppliers, we typically require them to provide us a quotation which will generally specify the price, delivery time and quantity of the fit out materials to be purchased for our confirmation. Upon our acceptance of the quotation, depending on the fit out materials to be purchased, prepayment to our material suppliers is generally required prior to delivery of the fit out materials. For projects which we are also engaged for fit out works, our fit out subcontractors may in certain cases source the necessary fit out materials from their suppliers. Further information on our subcontractors is set out in the section headed “Business — Suppliers — Subcontractors” in this prospectus.

Execution stage

Once the design has been finalised by our customers, depending on whether we have been engaged for (i) DD or (ii) DFD, we will arrange either a foreman or a staff from our design team to ensure that the fit out works conform with the design and timeline and to answer any inquiries raised by the fit out subcontractors during the fit out works. For projects which we only provide DD, we will arrange our staff from our design team to carry out regular site visits, usually prescribed in our contract, during the process of the fit out works. For DFD projects of which we have subcontracted our fit out works, we will receive quotations from our fit out subcontractors and select them based on our criteria set out in the section headed “Business — Suppliers — Subcontractors” in this prospectus. Once our fit out subcontractors begin their works, we will arrange our foremen to be onsite to monitor the fit out works. Throughout the whole execution stage, we will periodically provide updates to our customers on the overall progress as well as arrange our customers to perform physical site visits to ensure that our customers have a clear idea on the actualisation of the overall design. Whilst the design has been accepted by our customers at this stage, the design process is a continually evolving process throughout the whole project and during the execution stage, we may receive numerous comments on the design from our customers and will refine any of the design aspects to their satisfaction.

As part of the execution process, we may be requested to commence decoration, generally when the fit out works have been or nearly completed. Decoration may involve sourcing and furnishing of decorations such as glasswares, flowers, electronics, kitchenwares, accessories, carpets, beddings and artworks. Depending on the design, we source these decorations from local and overseas suppliers.

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Prior to ordering any decorations from our material suppliers, we typically require them to provide with us quotations which will normally specify the price, the delivery time and the quantity of the decorations to be purchased for our confirmation. Upon our acceptance of the quotation, depending on the decorations to be purchased, prepayment of our material suppliers' invoice is generally required prior to the delivery of the decorations. Any additional services or items required by our customers will require a written variation order to be approved and signed by our customers. We believe that our ability to source decorations to complement our designs is one of our strengths for providing an integrated one-stop service. Further information on our suppliers of materials is set out in the section headed "Business — Suppliers — Material Suppliers" in this prospectus.

Upon completion of decoration, we will arrange for a final walkthrough inspection with our customers. In the event that any defects are detected, we will fix or procure our fit out subcontractors to fix the relevant defects. If our customers are satisfied, we will obtain our customer's acceptance and acknowledgement of our services and after which, we will consider the project as completed and handover the premises to our customers.

We will normally provide defect liability period, typically ranging from 6 to 12 months, to our customers to warrant them of any defects found during such period. Our fit out subcontractors will normally provide us with the defect liability period which matches with the defect liability provided to our customers so that our fit out subcontractors will bear any costs for fixing any defects relating to fit out works. If our customers request us to fix any defects during such period, we will procure our subcontractors to fix the relevant defect with no additional costs to our customers. Upon expiry of the defect liability period, we will request our customers to settle any retention monies, usually around 5% to 10% of the contract sum of our projects, held by our customers. We also arrange our staff to monitor expiry dates of defect liability period of all contracts from time to time to ensure that the retention monies are obtained in a timely manner. Outside of the defect liability period, we may, upon request, provide or procure to provide maintenance services to our customers at an agreed fee.

CUSTOMERS

During the Track Record Period, we have provided our integrated interior design solutions to customers who can be broadly classified as: (i) private projects — customers who are mostly private individuals; and (ii) corporate projects — customers who are mostly property developers. For our corporate projects, the contracting party that we enter into agreements with may be the related companies of our Group Customers. A majority of our Group Customers are recurring customers with whom we have established solid business relationships and we believe they have a good understanding of our strengths and capabilities. We do not have any long-term contracts with our customers or Group Customers and our contracts are entered into on project-by-project basis.

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During the Track Record Period, over 90% of our revenue are derived from our Group Customers who are either Hong Kong blue chip listed property developers or Hong Kong listed companies. A breakdown of our revenue by the nature of our Group Customers during the Track Record Period is shown in the below table:

Customer	Number of customers attributable to our revenue during the Track Record Period	Number of projects awarded during the Track Record Period	For the year ended 30 September						For the five months ended 28 February	
			2012		2013		2014		2015	
			HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Hong Kong blue chip listed property developers (<i>Note 1</i>)	3	22	195,654	72.4%	106,608	58.1%	80,264	70.5%	7,206	12.8%
Hong Kong listed companies (<i>Note 1 and 2</i>)	6	41	66,612	24.6%	69,046	37.6%	23,541	20.7%	47,877	85.1%
Hong Kong unlisted companies	3	4	4,494	1.7%	1,594	0.9%	—	—	—	—
PRC developers (<i>Note 2</i>)	1	3	—	—	1,396	0.8%	3,932	3.5%	—	—
Private client (<i>Note 3</i>)	3	3	3,533	1.3%	4,785	2.6%	6,049	5.3%	1,157	2.1%
Total:	16	73	270,293	100%	183,429	100%	113,786	100%	56,240	100%

Notes:

- (1) For a customer who is both a Hong Kong blue chip listed property developer and a Hong Kong listed company, it is counted as a Hong Kong blue chip listed property developer for illustrative purposes.
- (2) For a customer who is both a company listed in Hong Kong and PRC property developer, it is counted as a HK listed company for illustrative purposes. Out of the nine companies listed in Hong Kong, eight of which are property developers.
- (3) Private entities include individual customers or the designated corporate entities through which individual customers engage us for private projects.

Five largest customers

For the three years ended 30 September 2014 and the five months ended 28 February 2015, our Group's five largest customers by contracting party accounted for approximately 77.8%, 72.7%, 83.6% and 81.3% of our total revenue, respectively, with the largest customer by contracting party accounting for approximately 36.6%, 24.9%, 39.0% and 28.5% of our total revenue, respectively.

As disclosed above, some of our contracting parties are related companies of Group Customers. For the three years ended 30 September 2014 and the five months ended 28 February 2015, on the basis that all contracts with related companies are consolidated, our Group's five largest Group Customers accounted for approximately 93.7%, 85.6%, 90.7% and 94.9% of our total revenue, respectively, with the largest Group Customers accounting for approximately 36.9%, 25.7%, 48.3% and 28.5% of our total revenue, respectively.

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None of our Directors or their close associates or any Shareholder who owns 5% or more of the issued share capital of our Company had any interest in any of the above five largest customers during the Track Record Period. All of our five largest customers during the Track Record Period are Independent Third Parties.

The tables below set out our Group's top five largest customers by contracting party during the Track Record Period.

For the year ended 30 September 2012

Rank	Name of customers	Business nature	Services provided	Business relationship since	Revenue recognised (HK\$'000)	% of total revenue
1	Customer B (Note 1)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD/DFD	November 2011	98,973	36.6%
2	Customer A1 (Note 2)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DFD	October 2011	43,339	16.0%
3	Customer A2 (Note 2)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DFD	August 2012	28,732	10.6%
4	Customer C1 (Note 3)	Property developers, related parties to a company listed on the Main Board of the Stock Exchange	DD/DFD	July 2012	23,602	8.7%
5	Customer C2 (Note 3)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD/DFD	November 2011	15,898	5.9%
Total revenue contributed by our top five largest customers					210,544	77.8%

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For the year ended 30 September 2013

Rank	Name of customers	Business nature	Services provided	Business relationship since	Revenue recognised (HK\$'000)	% of total revenue
1	Customer B (Note 1)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD/DFD	November 2011	45,641	24.9%
2	Customer A3 (Note 2)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DFD	November 2011	31,572	17.2%
3	Customer F (Note 6)	Property developer listed on the Main Board of the Stock Exchange	DFD	December 2011	24,458	13.3%
4	Customer H	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DFD	October 2013	18,056	9.8%
5	Customer D (Note 4)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DFD	September 2005	13,680	7.5%
Total revenue contributed by our top five largest customers					133,407	72.7%

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For the year ended 30 September 2014

Rank	Name of customers	Business nature	Services provided	Business relationship since	Revenue recognised (HK\$'000)	% of total revenue
1	Customer A4 (Note 2)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DFD	August 2013	44,386	39.0%
2	Customer B (Note 1)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD/DFD	November 2011	25,283	22.2%
3	Customer A5 (Note 2)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD/DFD	May 2014	10,594	9.3%
4	Customer C2 (Note 3)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD/DFD	November 2011	7,610	6.7%
5	Customer E (Note 5)	N/A (individual), related party to a subsidiary of a company listed on the Main Board of the Stock Exchange	DFD	July 2014	7,274	6.4%
Total revenue contributed by our top five largest customers					95,147	83.6%

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For the five months ended 28 February 2015

Rank	Name of customers	Business nature	Services provided	Business relationship since	Revenue recognised (HK\$'000)	% of total revenue
1	Customer D (<i>Note 4</i>)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DFD	September 2005	16,015	28.5%
2	Customer C2 (<i>Note 3</i>)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD/DFD	November 2011	12,854	22.9%
3	Customer E (<i>Note 5</i>)	N/A, related party to a subsidiary of a company listed on the Main Board of the Stock Exchange	DFD	July 2014	8,816	15.7%
4	Customer B (<i>Note 1</i>)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD/DFD	November 2011	5,517	9.8%
5	Customer G (<i>Note 7</i>)	Property developer, related party to a company listed on the Main Board of the Stock Exchange	DD	August 2014	2,449	4.4%
Total revenue contributed by our top five largest customers					<u>45,651</u>	<u>81.3%</u>

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Notes:

- (1) Customer B is a related company of Group Customer B and an Independent Third Party.
- (2) Customers A1, A2, A3, A4 and A5 are related parties to Group Customer A and Independent Third Parties.
- (3) Customers C1 and C2 are related parties to Group Customer C and Independent Third Parties.
- (4) Customer D is a related party to Group Customer D and an Independent Third Party.
- (5) Customer E is a related party to Group Customer E and an Independent Third Party.
- (6) Customer F is a related party to Group Customer F and an Independent Third Party.
- (7) Customer G is a related party to Group Customer G and an Independent Third Party.

Relationships among certain top customers of our Group during the Track Record Period

To the best knowledge of our Directors, some of the contracting parties that entered into contracts with our Group are related to companies that are listed in Hong Kong. Our Directors believe that this is a common trade practice in the property development industry for our customers to contract with us by using separate corporate entities for different projects.

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In order to portray our customers' profiles, below sets out the top largest five customers by related groups during the Track Record Period:

Name of customers	Business nature	Services provided	For the year ended 30 September 2012			For the year ended 30 September 2013			For the year ended 30 September 2014			For the five months ended 28 February 2015			Approximate no. of years of relationship as at Latest Practicable Date
			Rank	Revenue recognised (HK\$'000)	% of total revenue	Rank	Revenue recognised (HK\$'000)	% of total revenue	Rank	Revenue recognised (HK\$'000)	% of total revenue	Rank	Revenue recognised (HK\$'000)	% of total revenue	
Group Customer A (Note 1)	Property developer listed on the Main Board of the Stock Exchange	DFD/DD	2	87,597	32.4	2	35,071	19.1	1	54,980	48.3	N/A	1,690	3.0	11
Group Customer B (Note 2)	Property developer listed on the Main Board of the Stock Exchange	DFD/DD	1	99,761	36.9	1	47,079	25.7	2	25,283	22.2	5	5,517	9.8	13
Group Customer C (Note 3)	Property developer listed on the Main Board of the Stock Exchange	DFD/DD	3	41,089	15.2	3	29,020	15.8	3	9,176	8.1	2	12,854	22.9	16
Group Customer D (Note 4)	Property developer listed on the Main Board of the Stock Exchange	DFD/DD	4	16,607	6.1	5	21,380	11.7	N/A	600	0.5	1	16,015	28.5	10
Group Customer E (Note 5)	Energy company listed on the Main Board of the Stock Exchange	DFD	—	—	—	—	—	—	4	7,274	6.4	4	8,816	15.7	1
Group Customer F (Note 6)	Property developer listed on the Main Board of the Stock Exchange	DFD	5	8,295	3.1	4	24,458	13.3	—	—	—	—	—	—	3
Group Customer G (Note 7)	Property developer listed on the Main Board of the Stock Exchange	DFD/DD	N/A	3,775	1.4	N/A	590	0.3	5	6,491	5.7	3	10,192	18.1	7

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Notes:

1. Group Customer A is one of the leading property developers in Hong Kong and listed on the Main Board of the Stock Exchange. Group Customer A is principally engaged in property rental, property sales, hotel operations, management services, share investment and dealing, and financing.
2. Group Customer B is one of the leading property developers in Hong Kong and listed on the Main Board of the Stock Exchange. Group Customer B is principally engaged in development of and investment in properties for sale and rent, hotel operation, telecommunications, transportation, infrastructure and logistics.
3. Group Customer C is one of the leading property developers in Hong Kong and listed on the Main Board of the Stock Exchange. Group Customer C is principally engaged in development and investment of property and the holding of investment.
4. Group Customer D is one of the leading property developers in Hong Kong and listed on the Main Board of the Stock Exchange. Group Customer D is principally engaged in property development and investment.
5. Group Customer E is a company listed on the Main Board of the Stock Exchange and is principally engaged in the investment, operation and management of gas pipeline connections, transportation, distribution and sales of gas, construction and operation of gas filling stations, and production and sales of liquefied natural gas.
6. Group Customer F is one of the leading property developers in Hong Kong and listed on the Main Board of the Stock Exchange. Group Customer F is principally engaged in property investment and development, contracting, provision of services, infrastructure operations, telecommunication services, department store, hotel and restaurant operations and media and technology.
7. Group Customer G is one of the leading property developers in Hong Kong and listed on the Main Board of the Stock Exchange. Group Customer G is principally engaged in investment in toll roads and power plant, property development and investment, property agency and management, hotel ownership and management, restaurant operations and food catering.

During the Track Record Period, we have maintained a good relationship with our customers and did not have any material disputes with any of them. Also, during the Track Record Period, we have not received any material customer complaints.

Since our Group's establishment in 1996, we believe that we have built a good reputation in the interior design industry for high quality design and services and therefore this has been one of our Group's strengths to maintain customer loyalty during the Track Record Period. In addition to recurring customers, we may also be referred new customers from recurring customers or business contacts of our Directors accumulated in the past.

General terms of contracts with customers

The general terms of our service contracts may vary based on negotiations with our customers and in the case of corporate project, the terms of the contract are normally set out by our customers, being mainly the property developers, and for private project, being the individual customer or the designated corporate entity, we will typically use our standard format of contract.

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Subject to the credit risk of specific customers, we generally grant credit terms of 7 to 45 days to our customers, depending on our relationship with the customer and our customer's background, reputation and creditworthiness. Our management and responsible staff conduct regular reviews on customers' payment history, length of relationship and overdue payment (if any), so as to revise the credit terms granted to them. For the three years ended 30 September 2014 and the five months ended 28 February 2015, our impairment loss on trade receivables is approximately HK\$1,672,000, HK\$1,000, HK\$110,000 and nil respectively. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there have been no notification and indication of non-payment of our trade receivables or the need to make provisions for our trade receivables.

The principal terms of contracts of our corporate project and private project with our customers are generally similar and are summarised below:

Scope of services, location and contract period

Following our customers' specifications and needs, our contracts with customers will set out the scope of services which includes, amongst others, developing preliminary and detailed design and selecting fit out materials and decorations. During the Track Record Period, none of our contracts entered into with our customers contained exclusivity clause which restricts our ability to provide services to other customers.

For our DFD projects, the contracts will specify the location of the site and may sometimes specify the contract period, typically around 60 to 90 days depending on the complexity of the project. For our DD projects, the duration of our project will typically be longer as we are not directly involved or in control over the fit out works provided by other contractors.

Insurance, defect liability and liquidated and ascertained compensation

Our contracts usually set out the insurance to be effected and maintained by us, such as the all-risks and third party liability insurance and employees' compensation insurance, and defect liability period, which typically ranges from 6 to 12 months from the date of completion which requires our Group to attend to any defects upon completion of the project. Such insurance which we have effected and maintained are normally be required to also cover our customers and our fit out subcontractors. Our contract will also set out the sum chargeable to our Group as compensation to our customers if our Group cannot complete the project by the agreed completion date. In addition, the contracts will generally contain precaution and safety measures to be maintained by our Group. For the three years ended 30 September 2014 and the five months ended 28 February 2015, our expenditure related to defect liability amounted to HK\$844,000, HK\$128,000, HK\$427,000 and HK\$184,000.

Fees chargeable, deposit and payment terms

Our contracts will set out the fees chargeable by us (including circumstances for adjustment) and the payment terms. A deposit amounting to approximately 10% to 50% of the total fees are usually required to be paid by our customers prior to commencement of our work of which the deposit will be used to settle the total fees upon completion of our work. Our fees chargeable are fixed in HK\$ or RMB. Any additions or adjustments to pricing, which is often the case, requires our customers to agree to a variation order. Most of the variation orders are used by our customers to request for our

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additional services rather than changing our services. The terms of the variation order typically include scope of services, fees chargeable, site location and payment terms. We usually agree to a progress payment of our service fees to be paid at different stages of the project. The different stages of the project are normally specified as 30, 60 and 90 days after the commencement of work or completion of different phases with references to the scope of works involved. The total progress payment typically accounts for approximately up to 95% of the total contract sum and the amount of progress payment in each stages varies depending on the nature of the project and negotiation with our customers. Retention money amounting to around 5% to 10% of our contract sum may be withheld by our customers. The retention money will be released to us upon expiry of the defect liability period provided that we have provided all necessary work. In certain cases, we offer discounts to our customers, generally not more than 6% of the total service fees.

Intellectual property rights

Our contracts also generally set out that all intellectual property rights arising from the project shall be the property of our customers. During the Track Record Period, we have not been involved in any claims or litigations relating to infringing third parties' intellectual property rights.

SUPPLIERS

Our suppliers are broadly categorised into (i) material suppliers and (ii) subcontractors.

Our largest supplier accounted for approximately 7.0%, 7.0%, 8.3% and 10.6% of our cost of sales for each of the three years ended 30 September 2014 and the five months ended 28 February 2015, respectively. Our top five largest suppliers accounted for approximately 28.3%, 25.8%, 34.6% and 34.8% of our cost of sales for the three years ended 30 September 2014 and the five months ended 28 February 2015, respectively. During the Track Record Period, all of our top five largest suppliers are subcontractors. Set out below is a breakdown of our Group's cost of sales by our five largest suppliers during the Track Record Period:

For the year ended 30 September 2012

Rank	Name of Suppliers	Materials/services provided	Business relationship since	Cost of sales (HK\$'000)	% of total cost of sales
1	Supplier A	Steelworks	November 1999	14,321	7.0%
2	Supplier B	Marble works/ Stoneworks	March 2007	12,403	6.1%
3	Supplier C	Woodworks	November 2005	12,364	6.1%
4	Supplier D	Marble works/ Stoneworks	February 2011	11,502	5.6%
5	Supplier E	Woodworks	September 2006	7,043	3.5%
Total amount paid to our top five largest suppliers				57,633	28.3%

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For the year ended 30 September 2013

Rank	Name of Suppliers	Materials/services provided	Business relationship since	Cost of sales (HK\$'000)	% of total cost of sales
1	Supplier E	Woodworks	September 2006	9,889	7.0%
2	Supplier F	Marble works/ Stoneworks	November 2006	7,461	5.3%
3	Supplier G	Woodworks	June 2011	6,733	4.8%
4	Supplier A	Steelworks	November 1999	6,684	4.8%
5	Supplier C	Woodworks	November 2005	<u>5,539</u>	<u>3.9%</u>
Total amount paid to our top five largest suppliers				<u><u>36,306</u></u>	<u><u>25.8%</u></u>

For the year ended 30 September 2014

Rank	Name of Suppliers	Materials/services provided	Business relationship since	Cost of sales (HK\$'000)	% of total cost of sales
1	Supplier F	Marble works/ Stoneworks	November 2006	5,826	8.3%
2	Supplier H	General fit out works	February 2013	5,323	7.6%
3	TM Design	General fit out works	September 2013	5,078	7.3%
4	SZ Meike	Drafting works	July 2011	4,586	6.6%
5	Supplier B	Marble works/ Stoneworks	March 2007	<u>3,374</u>	<u>4.8%</u>
Total amount paid to our top five largest suppliers				<u><u>24,187</u></u>	<u><u>34.6%</u></u>

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For the five months ended 28 February 2015

Rank	Name of Suppliers	Materials/services provided	Business relationship since	Cost of sales (HK\$'000)	% of total cost of sales
1	Supplier I	Timber/Wood	August 2013	3,734	10.6%
2	Supplier J	Timber/Wood	June 2011	2,808	7.9%
3	Supplier A	Metal/Steel	November 1999	2,169	6.1%
4	SZ Meike	Drafting works	July 2011	1,847	5.2%
5	Supplier K	Electric & Mechanical Works	July 2008	1,758	5.0%
Total amount paid to our top five largest suppliers				12,316	34.8%

Material suppliers

During the process of fit out and decoration, we are often required to source and purchase various fit out materials and decorations from our material suppliers. The types of decorations include glasswares, flowers, electronic appliances, kitchenwares, carpets, beddings, accessories and artworks. In addition to decorating services, we may also be required to purchase fit out materials. In such circumstances, we source the fit out materials and provide it to our fit out subcontractors for installation. The major fit out materials which we have purchased and supplied to our fit out subcontractors include lightings, wood, fabrics, wallpaper, toiletries and curtains. During the Track Record Period, we sourced decorations and fit out materials locally or overseas. We do not enter into any long-term supply agreement with our material suppliers and purchases of fit out materials and decorations are made as and when required. Since our establishment, we have built up a list of material suppliers that we have worked with and have maintained a good relationship with them. We do not rely on any one particular material supplier as each and every design may be different and require different sort of materials to suit our needs. As such, our Directors believe that we do not depend on any of our material suppliers as we have a number of alternative materials suppliers for all major materials. We do not enter into any formal agreements for the purchase of fit out materials and decorations.

As at the Latest Practicable Date, we had a pool of over 120 approved material suppliers for the provision of fit out materials and decorations and many of them have supplied materials to us for over five years. For new material suppliers, we typically conduct pre-assessments to ensure their materials comply with our specific project requirements.

During the Track Record Period, we have not encountered any material difficulties in procuring materials and we have not experienced any significant delay in delivery of materials by our material suppliers causing material disruption of our projects. In order to keep abreast of the changes and availability of decorations that are available each year, we will also attend trade shows such as the

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Milan Furniture Fair (*Salone Internazionale del Mobile di Milano*) which is held annually in Milan, Italy. To the best knowledge of our Directors, the Milan Furniture Fair showcases the latest in furniture and design from countries around the world and is considered a leading venue for the display of new products by designers of furniture, lighting and other home decorations.

One commonly used material in our designs is wood for flooring and paneling. Our Directors are not aware that any materials supplied to our Group is from illegal source.

Subcontractors

The majority of our subcontracted works include drafting works, steelworks, woodworks, marble works, stone works, electrical works and water supply works. Our Directors believe that by adopting our subcontracting business model, we are able to maintain a low fixed cost in overhead and more effectively manage our projects by relying on others' established expertise and skill set when and as required. Whilst we offer fit out services to our customers, our employees are not directly engaged in the provision of any on-site implementation services and such works are outsourced to our fit out subcontractors. For certain fit out materials, our fit out subcontractors will also be responsible to supply or procure to supply the materials to be used in the fit out works. For example, a subcontractor for flooring will also provide the wood flooring materials and installation services. As such, some of the quotations that we receive from our fit out subcontractors are inclusive of materials and services. To the best knowledge of our Directors, this manner of quotation is a common practice in the industry. For certain fit out materials, we will exercise our strength in sourcing and procuring the fit out materials to be purchased and delivered to the project site for our fit out subcontractors' handling.

Most of the drafting works relating to the detailed design are outsourced to our drafting subcontractors. Drafting works include 2D plans and elevation and 3D renderings, if required by our customers. All of our fit out works are outsourced to our fit out subcontractors.

We do not possess the relevant licences to carry out fit out works in the PRC and any obligation under a contract for fit out services cannot be partially subcontracted to third parties without obtaining the approval of the property developer in the PRC. During the Track Record Period, we have partially subcontracted out work without obtaining the written approval by the property developer under one of our PRC projects due to our inadequate understanding of the relevant PRC laws and regulations. We may be considered to have illegally subcontracted work and for the possible penalties please refer to the section headed "Risk Factors — Under PRC laws any subcontracting of fitting out works must be approved by the property developers and carried out by parties having the requisite qualification" in this prospectus. According to the Law of the People's Republic of China on Administrative Penalty (《中華人民共和國行政處罰法》), no administrative penalty (including confiscation of illegal gain) shall be imposed on any illegal act which is not being discovered within two years of its date of commission. Our PRC Legal Advisers are of the view that given that the relevant contract was completed more than two years ago, it is unlikely that our Group will be subject to any penalties or confiscation of illegal gain under the relevant contract by the competent authorities. Our management and design team have further formulated and adopted an internal control manual which requires our Group to seek advice from relevant professional advisers (including but not limited to legal adviser, tax expert, etc.) to ensure that our Group complies with respective laws and regulations of that region

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and review the agreements with customers prior to execution if needed. This is to ensure that the agreements contain provisions to enable us to subcontract the fit out work under the agreements. Alternatively, if we are not contractually entitled to subcontract the fit out work, then our management and design team will obtain the consent from the property developer prior to subcontracting.

As at the Latest Practicable Date, we had a pool of over 50 approved subcontractors from which we may choose from to carry out various types of works which we normally outsource. Many of our subcontractors that we have on our approved list of subcontractors have worked with us for over five years and have established a solid and good working relationship with us and this helps facilitate communication with the subcontracts to ensure quality and timely performance of their works. In deciding whether a subcontractor is allowed on our approved list, our Directors will consider their quality of work, past performance, credit-worthiness, pricing competitiveness and efficiency. We regularly evaluate the performance of our subcontractors and update our approved list accordingly. Unless our customers require us to select their nominated subcontractors, we will select subcontractors from our approved list of subcontractors. For new subcontractors, we typically conduct pre-assessments to ensure their services can comply with our specific project requirements.

We will typically use our standard format of contract when engaging our subcontractors. The principal terms of contracts with our subcontractors are summarised below:

Scope of services, location, contract period

Following our customers' specifications and needs, our contracts with subcontractors will set out the scope of services which may include description of services and materials to be used. The contracts will also specify the site location and the contract period.

Insurance, defect liability and liquidated and ascertained compensation

Our contracts usually set out the insurance to be effected and maintained by the subcontractors, such as the all-risk and third party liability insurance and employees' compensation insurance, and defect liability period, which typically is around six months from the date of completion which requires the subcontractors to attend to any defects upon completion of the project. The defect liability period provided by our fit out subcontractors normally matches with the defect liability period provided to our customers so that our fit out subcontractors will bear any costs for fixing any defects relating to fit out works. The contract will also set out the sum chargeable to our subcontractors as compensation to us if the subcontractors cannot complete the project by the agreed completion date.

Fee chargeable, deposit and payment terms

Our contracts will set out the fees chargeable by our subcontractors (including circumstances for adjustment) and the payment terms. A deposit amounting to approximately 30% of the total fees are usually required to be paid by us prior to commencement of their work

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of which the deposit will be used to settle the total fees upon completion of their work. The subcontracting fees chargeable are fixed in HK\$ or RMB. Any additions or adjustments to pricing are subject to variation as agreed with our subcontractors. We usually agree to a progress payment of their service fees to be paid at different stages of the project. Retention money amounted to around 5% of the contract sum may be withheld by us. The retention money will be released to them upon expiry of the defect liability period provided that they have provided all necessary work.

During the Track Record Period, we have not experienced any material difficulties in finding subcontractors to undertake the works for our projects. We require our subcontractors to carefully check the identification documents of their workers to ensure that no illegal workers are hired to work on the sites for which we are responsible. Our staff will also check the identification documents of on-site workers to prevent our subcontractors from using illegal workers. As far as our Directors are aware, our customers will also check identification documents. During the Track Record Period, no illegal workers were reported on the sites for which we are responsible.

Our Group relies on our subcontractors to complete our projects and their compliance of relevant laws and regulations and for the possible legal consequences, please refer to the section headed “Risk Factors - We rely on our subcontractors to complete our projects and their compliance of relevant laws and regulations”.

Our Directors believe that having the flexibility to engage subcontractors to carry out our selected works of the project would provide us the flexibility to better manage our manpower and better utilise our own internal resources to be deployed in different projects.

Our subcontractors are neither our employees nor agents and we are not a party to the employment arrangement between our subcontractors and their employees.

Save for TM Design, all of the five largest suppliers during the Track Record Period are Independent Third Parties and have business relationships with us from two to 15 years. The credit terms granted by our suppliers are generally 7 to 90 days from the date of invoice. Payments to our suppliers are usually made by cheque and by telegraphic transfer. As at the Latest Practicable Date, Mr. Shih, one of our executive Directors, held 50% shareholding interest in TM Design. TM Design was one of our five largest suppliers for the year ended 30 September 2014 and had entered into a one-off transaction with our Group during the Track Record Period. Should there be any transaction to be entered into between our Group and TM Design after Listing, the requirements regarding connected transactions of the Listing Rules will be complied with. As at the Latest Practicable Date, it was expected that our Group would not enter into any new transaction with TM Design in the near future. Further information is disclosed in the section headed “Director and Senior Management — Potential Competing Interests” in this prospectus. Save as disclosed above, none of our Directors or their close associates or any Shareholder holding more than 5% of our Company’s issued share capital had any interests in our five largest suppliers as at the Latest Practicable Date.

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Sensitivity Analysis

During the Track Record Period, the cost of sales of our Group consist of (i) subcontracting cost and (ii) purchasing costs of fit out materials and decorations.

The subcontracting charges payable by us to our subcontractors are determined with reference to the works performed by such subcontractor measured at a rate provided under such subcontracting contract in which allowance for price fluctuation is generally not provided. As such, the subcontracting charges usually do not vary with the fluctuations of labour costs or material costs.

Assuming that our cost-plus pricing model cannot cover fluctuation in costs, and all other variables remained constant, the following tables illustrate the impact of hypothetical fluctuations in subcontracting costs and material costs on our profit before tax during the Track Record Period:

Hypothetical fluctuations in subcontracting costs	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in profit before tax			
For the year ended 30 September 2012	+/-7,248	+/-14,496	+/-21,744
For the year ended 30 September 2013	+/-4,536	+/-9,072	+/-13,608
For the year ended 30 September 2014	+/-2,359	+/-4,718	+/-7,076
For the five months ended 28 February 2015	+/-1,247	+/-2,494	+/-3,741

For the three years ended 30 September 2014 and the five months ended 28 February 2015, our gross profit amounted to approximately HK\$66.6 million, HK\$42.7 million, HK\$43.9 million and HK\$20.9 million, respectively. For illustrative purpose only, we would have recorded a breakeven in our gross profit if our subcontracting costs increased by approximately 45.9%, 47.1%, 93.0% and 83.9%, respectively, for the three years ended 30 September 2014 and the five months ended 28 February 2015.

Hypothetical fluctuations in material costs	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in profit before tax			
For the year ended 30 September 2012	+/-2,647	+/-5,293	+/-7,940
For the year ended 30 September 2013	+/-2,226	+/-4,452	+/-6,678
For the year ended 30 September 2014	+/-945	+/-1,890	+/-2,835
For the five months ended 28 February 2015	+/-446	+/-892	+/-1,338

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Fluctuations in our material costs are assumed to be 5%, 10% and 15%, which are determined by reference to the historical fluctuations in the prices of our major materials during the Track Record Period. Our material costs accounted for approximately 25.9%, 31.6%, 27.0% and 25.3% of our total costs of sales for the three years ended 30 September 2014 and the five months ended 28 February 2015 respectively. Referring to Table 2 in the section headed “Industry Overview — Market Drivers, Trends and Entry Barriers” in this prospectus, the CAGR of the premium building materials listed therein ranges from 0%-15% over the two years between 2011 and 2013.

For illustrative purpose only, we would have recorded a breakeven in our gross profit if our material costs increased by approximately 125.8%, 96.0%, 232.0% and 234.4%, respectively, for the three years ended 30 September 2014 and the five months ended 28 February 2015.

The above sensitivity analysis is for illustrative purpose only. Our Directors believe that fluctuations to our subcontracting costs and material costs will not have a material impact to our Group’s financial performance as we are capable of altering and adjusting the design and materials used and the fit out work involved to suit our customers’ needs within our budget and we have adopted a cost-plus pricing policy.

SALES AND MARKETING

We adopt direct marketing strategies. Our contracts are sourced principally by Mr. Leong, Ms. Chew and Mr. Shih through their private network and business contacts established over the years as well as from referrals from our recurring customers. Over the years, we have primarily focused on residential show flats and sales offices. Our Directors believe that the primary source of contact is from our recurring customers who already have an existing understanding of our quality of services and design and therefore this allows our Group to engage in minimum marketing.

We adopt a cost-plus pricing model. When determining the appropriate mark-up, we take into account our customers’ acceptable range of service price based on our past dealings with the customer and a number of other factors such as the scale, complexity and specification of the project, our capacity, project duration, the estimated project cost (which mainly includes the direct staff cost, subcontracting costs and material costs), historical fee we received for similar project, the current fee level in the market and the competitive conditions. Our gross profit margin during the Track Record Period amounted to approximately 24.6%, 23.3%, 38.5% and 37.2% for each of the three years ended 30 September 2014 and the five months ended 28 February 2015, respectively. For details, please see the section headed “Financial Information — Results of Operation — Gross Profit and Gross Profit Margin” in this prospectus.

As part of our corporate strategy, we plan to build our brand and strengthen our marketing effort to further increase our market share. Details of our corporate strategies are set out in the section headed “Business — Corporate Strategies” in this prospectus.

During the Track Record Period, our marketing expenses are nominal.

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SEASONALITY

Our Group's revenue is not subject to seasonality.

INVENTORY CONTROL

Our Group does not hold any inventory to be used for future projects. Decorations and fit out materials are purchased and used on a project-by-project basis.

AWARDS AND ACCOLADES OF PROJECT WE INVOLVED

One of the projects that we were involved in received the following awards and accolades:

Type of project	Award name	Awarding body	Year of award
The Fullerton Bay Hotel ^(Note)	The Gold List 2012 (Best for rooms)	Condé Nast Traveller	2012
The Fullerton Bay Hotel ^(Note)	The Hot List 2011	Condé Nast Traveller	2011

Note: Our Group was involved in this project in Singapore prior to the Track Record Period which was a project from one of our Group Customers.

QUALITY CONTROL

Our Directors believe that management on the quality of our services and materials procured for our clients is essential to our Group's operations. To ensure our quality of service and product procured for our customers, we have implemented the following procedures:

- 1) Design: the design of an interior is critical to each of our projects. To ensure the quality of our design, our design team will review and comment on the works of our drafting subcontractors on a daily basis to ensure the detailed design adheres to our customers' specifications and expectations.
- 2) Project management: for each of our projects, we assign our management and design team to oversee the overall DFD process as well as customer management. We contact our customers regularly to ensure that they have full knowledge and understanding of the progress of a project. Further, during the execution of our projects, either our foremen or design staff depending on the types of projects involved will regularly conduct inspections to ensure that all works are in accordance with the customer's approved designs and requirements of customers. Any issues that may arise are immediately brought to the attention of our management.
- 3) Subcontractors: our Group has an approved list of subcontractors that we have worked with. Our Group will choose subcontractors for our projects only from the approved list of subcontractors as we have a good understanding and experience of the quality provided by our approved subcontractors.

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- 4) Decorations and fit out materials: as part of our services, we procure a considerable amount of decorations and fit out materials to be used in our projects. To ensure the quality of the decorative items and fit out materials procured, we conduct an inspection of all decorations and fit out materials upon delivery. Decorations and fit out materials that do not meet our standards or specifications will be rejected. For materials that we source for subcontractors, we will also conduct quality checks to ensure they match the quality and quantity ordered. If the materials delivered do not match the quality and quantities ordered, the materials will be returned and our onsite foremen will notify our management and our design staff who will in turn arrange to resolve the matter with the supplier.

COMPETITION

According to the Euromonitor Report, the interior design industry in Hong Kong and the PRC is highly fragmented with no single market leader in the market that could shape the industry. Our Group competes with not only other integrated interior design solutions providers but also registered architects and design houses and fit out contractors. According to the Euromonitor Report, there are approximately 1,053 interior design companies and approximately 7,000 interior designers in Hong Kong in 2014 and approximately 1.2 million interior designers and decorators in the PRC at the end of 2012 and over 142,000 enterprises in the PRC interior decoration market at the end of 2012. Given the number of competitors in the industry, our Directors believe that customers' preference is generally persuaded by design, style, reputation, quality of work, relationships with customers, costs and more importantly, the ability to successfully complete a project within the customers' timeframe.

Our Directors believe that our competitive strengths, established reputation in the integrated interior design industry and track record of successfully completed projects since our establishment in 1996, will set us apart from our competitors and continue to allow our Group to maintain its position as one of the reputable players in the integrated interior design industry in Hong Kong. Details of our Group's competitive strengths are set out in the section headed "Business — Competitive Strengths" in this prospectus.

As part of our Group's future plans, we intend to further establish our presence in the PRC market and strengthen our design capabilities and knowledge to keep abreast of the changes in the design industry and changes in the customers' preferences to remain competitive.

Please refer to the section headed "Industry Overview" in this prospectus for details of the competitive landscape of the interior design industry.

ENVIRONMENTAL MATTERS

The integrated interior design industry may have an inevitable impact on the environment as our services may indirectly generate waste as a result of the need to alter existing building materials so that our fit out and decoration services can be implemented. This may involve the disposal of construction waste which must be disposed at a designated waste disposal facility. The works relating to disposal of waste are outsourced and the costs involved are factored into the proposal given by us to our customers during the initial stage.

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has not been the subject of any environmental non-compliances in Hong Kong, the PRC and Macau.

Please refer to the section headed “Regulatory Overview” in this prospectus for further information about environmental laws and regulations. We have obtained all the required environmental related permits and approvals where applicable, for the projects carried out by us during the Track Record Period.

HEALTH AND SAFETY

Our Group is committed to provide a safe and healthy working environment to our staff and others who may be affected by our projects. Our employees are not engaged in the provision of any fit out works and the principal exposure of our employees to any work safety occurs when our employees are required to be on-site for site visits and perform inspection of our project’s progress. We emphasise to our employees that strict compliance with safety requirements is vital to ensure that there are no accidents to themselves or others that work on our projects.

All of our fit out works are carried out by our fit out subcontractors who may be qualified or certified professionals in their field such as electricians, marble workers, stone workers, water supply workers and steel workers. As such, to the best of our ability, we require our fit out subcontractors who undertake our projects to abide by all safety laws, rules, regulations, measures and procedures as well as all safety requirements to comply with all current enactments relating to their works. In addition to our own staff, we also encourage our fit out subcontractors to attend government training on safety and environmental matters which take place at our office.

During the Track Record Period, no prosecution has been laid against us by any relevant authorities in respect of violation of applicable laws or regulations of health and safety.

Saved as disclosed in the section headed “Business — Litigation” in this prospectus, no material injury and fatal accidents were recorded on the sites for which we were responsible during the Track Record Period. Our Directors are of the view that our Group has maintained sufficient third party liability insurance as and when necessary.

INSURANCE

All of the projects undertaken by our Group are normally protected by all-risks and third party liability insurance which are taken out by us. Such insurance policy generally extends for the entire contract period and the defect liability period following completion of the project. We have also maintained employees’ compensation insurance for our employees in accordance with the laws and regulations in Hong Kong and in addition, we maintain employees’ compensation to cover accidents for our employees that are required to attend on-site visits for the duration of each of our projects and on a project-by-project basis. We are also typically required to maintain and effect all risks and third party insurance and employees’ compensation insurance of our fit out subcontractors. For all projects located outside Hong Kong, our subcontractors will be responsible for taking out and maintaining their

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own insurance. The amount of insurance paid by our Group for each of the three years ended 30 September 2014 and the five months ended 28 February 2015 was approximately HK\$856,000, HK\$1,082,000, HK\$412,000 and HK\$153,000, respectively. Our Directors confirm that the above insurance coverage is adequate for the operation of our business and is in line with the industry norm.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group is applying for the registration of one trademark in Hong Kong and is the owner of four domain names. Details of our intellectual property rights are set out in the paragraph headed “Intellectual Property Rights of our Group” in Appendix IV to this prospectus.

In general, all intellectual property rights arising from our projects shall be the property of our customers.

As at the Latest Practicable Date, we were not aware of any infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

PROPERTY

As at the Latest Practicable Date, our Group did not own any property and leased eight properties used by our Group as Director’s quarter, office or warehouse purposes. Five of our leased properties are leased from connected parties and will constitute continuing connected transactions after the Listing. Details of these continuing connected transactions are set out in the section headed “Continuing Connected Transactions” in this prospectus. As at the Latest Practicable Date, we leased the following properties in Hong Kong:

Address	Usage	Approximate area (sq. ft.)	Lease Period
Unit D, 1st Floor, Hatton Place No. 1A Po Shan Road Hong Kong (Note)	Director’s quarter	1,214	1 April 2015 to 31 March 2017
Unit D, 2nd Floor, Hatton Place No. 1A Po Shan Road Hong Kong (Note)	Director’s quarter	1,219	1 April 2015 to 31 March 2017
Unit A on 21/F, Wyndham Place No. 44 Wyndham Street Central, Hong Kong (Note)	Office	1,022	1 April 2015 to 31 March 2017

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Address	Usage	Approximate area (sq. ft.)	Lease Period
Unit B on 21/F, Wyndham Place No. 44 Wyndham Street Central, Hong Kong (<i>Note</i>)	Office	1,022	1 April 2015 to 31 March 2017
Car parking space C22 5 th Carparking Floor, Wyndham Place No. 44 Wyndham Street Central, Hong Kong (<i>Note</i>)	Car parking space	130	1 April 2015 to 31 March 2017
Unit B, 23F, Wyndham Place No. 44 Wyndham Street Central, Hong Kong	Office	837	1 December 2014 to 30 November 2015
Unit 4, 15/F, Block C Wah Tat Industrial Centre No. 8 Wah Sing Street Kwai Chung New Territories	Warehouse	1,879	9 March 2015 to 8 March 2017
Units 13-15 on 18/F, Block C Wah Tat Industrial Centre No. 8 Wah Sing Street Kwai Chung New Territories	Warehouse	3,808	15 August 2015 to 14 August 2017

Note: Transactions under these agreements constitute continuing connected transactions. For further details, please refer to the section headed "Continuing Connected Transaction" in this prospectus.

For each of the three years ended 30 September 2014 and the five months ended 28 February 2015, our expenses for property rental and rate and building management fees (including Director's quarters) were approximately HK\$3.8 million, HK\$4.1 million, HK\$5.1 million, and HK\$1.7 million, respectively.

During the Track Record Period, we have not experienced any difficulty in renewing our leases.

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EMPLOYEES AND EMPLOYEE BENEFITS

As at 30 September 2012, 2013 and 2014 and the Latest Practicable Date, our Group had 24, 18, 17 and 20 employees respectively. All our staff are full-time employees and located in Hong Kong. The following table sets forth the number of our staff by functional role as at the Latest Practicable Date:

Function	Number of employees
Directors	3
Design	7
Project management	5
Finance	4
Human resources and administration	<u>1</u>
Total	<u><u>20</u></u>

Our Directors believe that our employees' design experience and practical understanding of the integrated interior design industry are important factors to ensure our business development. To enable us to retain loyalty with our employees, we offer competitive salaries to our staff and incentives in addition to the basic salaries. We provide on-the-job training and encourage our employees to expand their design knowledge through reading interior design related periodicals and conduct annual review of our employees to provide them with feedbacks on their performance. We also arrange for our employees to attend trade shows to keep abreast of the changes in the design trends.

We recruit employees primarily from the open market and internal reference and advertise openings through advertisements in newspapers, online and through our own website. We may rely on professional recruiters for senior positions. During the Track Record Period, we have not paid any referral fees to recruitment agencies.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we have not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our Group's employees.

We intend to use our best effort to recruit and retain appropriate and suitable personnel to serve our Group. We will assess our human resources periodically and will determine whether additional manpower is required to cope with our business development.

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LEGAL COMPLIANCE AND RISK MANAGEMENT

During the Track Record Period and up to the Latest Practicable Date, our Group inadvertently failed to comply with certain regulatory requirements under the laws of Hong Kong and Macau. Details of the non-compliance incidents are summarised below:

Causes of historical non-compliance	Reasons for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and current status	Internal control measures
<p>Late tax filing for the years 2012 and 2013 in respect of LCL Design and LCL Ltd. in Macau</p>	<p>The non-compliance did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group and was due to (i) inadequate understanding of the relevant tax regulatory requirements possessed by our relevant staff who had been responsible for our tax filing matters, (ii) lack of proper system and control to keep track of our compliance status, and (iii) failure to seek proper tax advice from external advisers.</p>	<p>According to Article 59 of Macau Income Tax Law, if the tax payment is overdue over 60 days, there are overdue interest and 3% penalty.</p> <p>According to Article 3 of the Decreto Provincial (Provincial Decree) No. 33/74, the interest rate due under the tax codes and regulations currently in force are calculated over a basis of 1% per month.</p> <p>The payment of interests related to a period over 5 years cannot be considered due and payment of this interest cannot be demanded to tax payers and the Macau Financial Service Bureau will not count interest over interest.</p> <p>Articles 64 and 68 of Macau Income Tax Law also state that a penalty from MOP100 to MOP10,000 will be imposed for late tax filing or filing incorrect tax return. If there is deliberate intention on late filing or filing incorrect tax return, the penalty will be MOP100 to MOP20,000. The penalty will not be higher than the tax undercharged. 50% of the penalty will be waived if the taxpayers voluntarily report their tax or correct their errors</p>	<p>LCL Design and LCL Ltd. have taken initiative to submit their 2012 and 2013 Macau tax returns on 31 March 2015 and have applied for tax registration and submitted their tax filing for 2012 and 2013. The total Macau tax involved for 2012 is HK\$214,232. LCL Design and LCL Ltd. did not derive any chargeable profits in Macau for 2013.</p> <p>The Macau Financial Service Bureau has not yet issued tax demand notices to LCL Design and LCL Ltd.. Full Macau tax provisions of HK\$214,232 have been made for 2012. In addition, in accordance with amounts provided under Macau tax laws, penalty provisions of HK\$68,691 have also been provided.</p> <p>Pursuant to the Deed of Indemnity, save for any amount which have been provided for in the audited combined accounts of our Group as set out in Appendix I to this prospectus and subject to the terms and conditions contained therein, the Controlling Shareholders have jointly and severally undertaken to indemnify us in respect of any tax liabilities and penalties arising from such non-compliance incident.</p>	<p>Our Group has formulated and adopted an internal control manual which includes the procedures for tax filing and recording to prevent recurrence of non-compliance incidents. For further details, please refer to the section headed “Business — Legal Compliance and Risk Management — Internal Control Measures” of this prospectus.</p>

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Causes of historical non-compliance	Reasons for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and current status	Internal control measures
<p>Failure to inform Crystal Sky's chargeability to tax under Section 51(2) of the Inland Revenue Ordinance ("IRO") within the specified time in Hong Kong.</p>	<p>The non-compliance did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group and was due to (i) inadequate understanding of the relevant tax regulatory requirements possessed by our relevant staff who had been responsible for our tax filing matters, (ii) lack of proper system and control to keep track of our compliance status, and (iii) failure to seek proper tax advice from external advisers.</p>	<p>Pursuant of Section 80(2) of the IRO, any person who fails to comply with Section 51(2) of the IRO is liable on conviction to a fine of HK\$10,000 and a further fine of treble the amount of tax which has been undercharged or would have been undercharged if such failure has not been detected.</p> <p>If no prosecution under Section 80(2) has been instituted, then under Section 82A of the IRO, an administrative penalty by way of an assessment to additional tax as a penalty, not exceeding treble the amount of tax which has been undercharged or would have undercharged if such late submission had not been detected.</p> <p>The management will not be subject to any penalty under the IRO. The reason being that if the IRD imposes any penalty for the late notification of chargeability to profits tax, the penalty will be imposed to Crystal Sky, not the Company's management.</p>	<p>Crystal Sky has requested the Inland Revenue Department ("IRD") to issue relevant profits tax returns for completion and offered all its profits for tax in Hong Kong on 28 April 2015. The total tax involved for the years of assessment 2009/10 to 2013/14 is HK\$13.1 million. Crystal Sky has submitted profits tax returns for final assessment for the five years ended 30 September 2013 to IRD on 20 July 2015.</p> <p>Tax provisions have been made with respect of the tax amount not yet paid.</p> <p>Crystal Sky has informed the IRD its chargeability to tax, though not within the specified statutory time limit, according to the IRD's penalty policy as published in its website, the chance of Crystal Sky being prosecuted or fined at the maximum level is slim, it is more likely that a penalty of not more than 35% of the tax undercharged would be imposed on Crystal Sky.</p> <p>Penalty provisions of HK\$4.6 million, around 35% of the tax involved, have been provided for the years of assessment 2009/10 to 2013/14.</p> <p>Pursuant to the Deed of Indemnity, save for any amount which have been provided for in the audited combined accounts of our Group as set out in Appendix I to this prospectus and subject to the terms and conditions contained therein, the Controlling Shareholders have jointly and severally undertaken to indemnify us in respect of any tax liabilities and penalties arising from such non-compliance incident.</p>	<p>Our Group has formulated and adopted an internal control manual which includes the procedures for tax filing and recording to prevent recurrence of non-compliance incidents. For further details, please refer to the section headed "Business — Legal Compliance and Risk Management — Internal Control Measures" of this prospectus.</p>

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Background of late tax filings in respect of LCL Design and LCL Ltd. in Macau

During the Track Record Period, LCL Design and LCL Ltd. provided integrated interior design solutions to certain Macau projects. In preparation of the Listing, we have engaged a tax expert, RSM Nelson Wheeler Tax Advisory Limited, to review our Group's overall tax position in February 2015. After preliminary review of the draft management accounts and related accounting documents of LCL Design and LCL Ltd., our tax expert considered that LCL Design and LCL Ltd. would have Macau profits tax exposure in addition to the Hong Kong tax exposure for our projects in Macau. After obtaining the tax expert's advice, our management accounts and accounting documents of LCL Design and LCL Ltd. were passed to our reporting accountants for audit purpose. Once the said accounts were finalised, LCL Design and LCL Ltd. arranged to apply for tax registration in Macau and submitted their Macau tax filing on 31 March 2015.

As all the income from these Macau projects had been reported in LCL Design's and LCL Ltd.'s accounts and assessed by the IRD in Hong Kong, our Group was not aware that LCL Design and LCL Ltd. were also subject to Macau profits tax for their activities in Macau. As a result of an inadequate understanding of the relevant regulatory and tax filing requirements in Macau as mentioned above, there were late tax filings for the two years ended 30 September 2013 in respect of LCL Design and LCL Ltd. in Macau.

LCL Design sustained a loss for its operation in Macau in 2013 and LCL Ltd. had no income in 2013, upon our tax assessment and as agreed by our tax expert, LCL Design and LCL Ltd. did not derive any chargeable profits in Macau for the year ended 30 September 2013. In this connection, a tax provision of approximately HK\$0.2 million and penalty provision of approximately HK\$69,000 have been recognised for the year ended 30 September 2012 according to Macau tax laws. As at the Latest Practicable Date, the Macau Financial Service Bureau had not yet issued tax demand notices to LCL Design and LCL Ltd..

Background of failure to inform Crystal Sky's chargeability to tax

Crystal Sky was incorporated in the BVI. It was set up and formally engaged to provide in-house consultancy services to our Group internally, which includes (i) advising on the markets trends of the PRC market in respect of our integrated interior design solutions projects in the PRC and (ii) referring PRC projects to our Group. In return, our Group paid a consulting fee to Crystal Sky. Our Group originally considered its service income was sourced outside of Hong Kong and not subject to Hong Kong profits tax. Crystal Sky subsequently commenced the provision of consultancy services in Hong Kong and received service income from its services rendered for various projects located in both the PRC and Hong Kong. As Crystal Sky had ceased its operations since 1 October 2013 and had not generated any revenue for the year ended 30 September 2014, our management decided to wind up Crystal Sky voluntarily and therefore appointed a tax expert, RSM Nelson Wheeler Tax Advisory Limited to review Crystal Sky's tax position in late November 2014.

After preliminary review of Crystal Sky's draft management accounts and related accounting documents in late December 2014, our tax expert considered that Crystal Sky might have Hong Kong profits tax exposure and recommended the management to finalise Crystal Sky's management accounts in order for the tax expert to prepare the related profits tax computation and inform the IRD of Crystal

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Sky's chargeability to tax in Hong Kong on behalf of Crystal Sky. As a result of an inadequate understanding of the relevant regulatory requirements and lack of proper system and control to keep track of our Group's compliance status. Crystal Sky did not realise its obligations to obtain business registration in Hong Kong for Crystal Sky and inform the IRD of Crystal Sky's chargeability to tax in Hong Kong until obtaining the advice from our tax expert in late December 2014. Accordingly, Crystal Sky had failed to inform its chargeability to tax in Hong Kong.

If a non-Hong Kong company carries on a business in Hong Kong, the non-Hong Kong company should apply for a business registration within one month from its date of commencement of business. While Crystal Sky ceased business on 30 September 2013, the management was only aware of the requirement for obtaining a business registration for Crystal Sky in late 2014. Our Directors are of the view that Crystal Sky is not going to re-commence any business activities in Hong Kong.

After obtaining the tax expert's advice, Crystal Sky's management accounts and accounting documents were passed to our reporting accountants for audit purpose. Once Crystal Sky's management accounts and the related Hong Kong profits tax computation were finalised, on behalf of Crystal Sky, our tax expert submitted Crystal Sky's management accounts and the related profits tax computation to the IRD and requested the IRD to issue the relevant profits tax returns on 28 April 2015. In order to finalise Crystal Sky's profit tax position on a timely basis, Crystal Sky proposed to offer all its profits derived since its date of incorporation for Hong Kong profits tax. Crystal Sky was incorporated on 8 June 2007 and did not derive any profits for the period ended 30 September 2008. Accordingly, considering that a tax penalty shall be imposed from the years in which the tax liabilities arose, Hong Kong tax provision and tax penalties have been provided for Crystal Sky's profits from the years of assessment 2009/10 (30 September 2009) to 2013/14 (30 September 2013) and have been allocated retrospectively for the respective periods as follows:

	For the years ended 30 September					
	2009	2010	2011	2012	2013	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax provision	1,751	2,132	2,117	4,093	3,060	13,153
Tax penalty	613	746	741	1,433	1,071	4,604

Crystal Sky requested the IRD to issue relevant profits tax returns for completion and offered all its profits for tax in Hong Kong on 28 April 2015. The total tax involved for the years of assessment 2009/10 to 2013/14 is approximately HK\$13.1 million. Crystal Sky submitted profits tax returns for final assessment for the years of assessment 2009/10 to 2013/14 to the IRD on 20 July 2015. Our Group has made tax provisions with respect to the estimated tax amount not yet paid.

Crystal Sky has informed the IRD of its chargeability to tax, though not within the specified statutory time limit. According to the IRD's penalty policy as published in its website, the chance of Crystal Sky being prosecuted or fined at the maximum level is slim, it is more likely that a penalty of not more than 35% of the tax under charged would be imposed on Crystal Sky. Accordingly, penalty provisions of approximately HK\$4.6 million, around 35% of the tax involved, have been provided for

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the years of assessment 2009/10 to 2013/14. Our reporting accountants concur with the amounts of the tax penalties provided by our tax expert for the each of the reporting periods. Such provisions are recognised in the corresponding periods in which the tax liabilities arose as: (i) the present obligation of the tax penalties existed at the end of each of the reporting periods; (ii) it is probable that Crystal Sky will be required to settle the tax penalties; and (iii) the amount of the tax penalties can be reliably estimated that is based on the computation from our tax expert and the IRD's penalty policy.

Remedial actions

The late tax filing in respect of LCL Design and LCL Ltd. in Macau and the failure to inform the IRD of Crystal Sky's chargeability of tax in Hong Kong were due to (i) inadequate understanding of the relevant tax regulatory requirements possessed by our relevant staff who had been responsible for our tax filing matters, (ii) lack of proper system and control to keep track of our compliance status, and (iii) failure to seek proper tax advice from external advisors. Our Directors consider that the abovementioned non-compliance incidents did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group. As a remedial measure, LCL Design and LCL Ltd. have submitted their 2012 and 2013 Macau tax returns while Crystal Sky has offered all of its profits for tax in Hong Kong and has submitted the tax returns for final assessment for the years of assessment 2009/10 to 2013/14 upon receiving our tax expert's advice. Further, (i) the full amount of Macau tax involved for LCL Design and LCL Ltd. of HK\$214,232 for 2012 together with the estimated penalty of approximately HK\$68,691 (i.e. approximately HK\$282,923 in aggregate); and (ii) the full amount of the total tax involved for Crystal Sky for the years of assessment 2009/10 to 2013/14 of approximately HK\$13.1 million, together with the estimated penalty of approximately HK\$4.6 million (i.e. approximately HK\$17.7 million in aggregate), have already been provided for in our audited combined accounts of our Group as set out in Appendix I to this prospectus. In the event that tax and penalty payable by LCL Design and LCL Ltd. exceeds the amount provided for in our audited financial statements (i.e. HK\$282,923) or the tax and penalty payable by Crystal Sky exceeds the amount provided for in our audited financial results (i.e. approximately HK\$17.7 million), our Controlling Shareholders will indemnify our Group in accordance with the terms and conditions of the Deed of Indemnity. It is also a term of the sale and purchase agreement dated 4 August 2015 and entered into between SBHL as vendor and Mr. Leong as purchaser in respect of the sale and purchase of all the shareholding interests of SBHL in Crystal Sky that Mr. Leong will indemnify our Group of any tax liability incurred on or before 19 January 2015 (being the date on which our Group first acquired the entire issued share capital in Crystal Sky as described in further details in the section headed "History, Reorganisation and Corporate Structure — Acquisition of shareholding interests in each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. from Mr. Leong and/or Ms. Chew by SBHL" in this prospectus), or on or after the date of the abovementioned agreement. In addition, as advised by our Macau legal adviser and our tax expert, the legal consequence of failing to comply with the Macau Income Tax Law or Section 51(2) of the IRO involved the imposition of a fine only but not imprisonment. As such, our Group has taken remedial measures and the abovementioned non-compliance incidents have been ratified to the extent practicable.

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Internal Control Measures

We believe that the above non-compliance incidents are not crucial to our operation and would not materially affect our business and results of operations and our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to prevent future recurrence of non-compliance incidents.

We have in place a set of internal control and risk management procedures in place to address various potential operational, financial and legal risks identified in relation to our operations, including but not limited to procurement, management, project management, connected party transaction controls, information disclosure controls, human resources, IT management, taxation and other various financial control and monitor procedures. These risk management policies set forth procedures to identify, categorise, analyse, mitigate and monitor various risks. The procedures also set forth the relevant reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing our overall risk management.

In particular, in order to prevent recurrence of the above non-compliance incidents:-

- Our finance department which will be responsible for tax computation will ensure the completeness of tax filing process of each of the entities in our Group and recording any tax provision. Before the filing of any tax return, it will be reviewed and approved by our chief financial officer, Mr. Cheng Chun Shing. For further details regarding the experience and qualification of Mr. Cheng, please refer to the section headed “Directors and Senior Management — Company Secretary and Chief Financial Officer” in this prospectus;
- Our finance department will also be responsible for deferred tax assessment every half year and recording any tax provision accordingly. The deferred tax assessment will be reviewed and approved by our chief financial officer;
- Our management team will ensure our finance department are equipped with personnel having sufficient experience and knowledge on tax issue and tax filing, to facilitate the efficiency of the handling of tax computation and tax return;
- Our Directors have attended training session in which they were given an overview on the applicable laws and regulations in Hong Kong. We will continue to arrange various trainings to be provided by external legal adviser and/or other appropriate accredited institution, to reinforce our Directors’ awareness on applicable Hong Kong laws, PRC laws, Macau laws, especially in respect of the tax obligation that may arise during the course of business of our Group;
- Our Group has engaged a tax expert to perform review on our operating structure and overall tax position (including tax compliance in all relevant jurisdictions) as well as to regularly review our tax filing. Our Group will also obtain their tax advice if we are in doubt of any tax issue;

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- Our Group will appoint a responsible person with sufficient experience and knowledge as tax representative to handle any tax queries from the IRD. Depending on the complexity of the issues or the queries, we will seek advice from our tax expert to assist the handling of the matter;
- Our finance department is responsible for handling all tax related matters of our Group and will regularly report to our audit committee on our compliance with tax laws and regulations;
- Our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations;
- Auditors will be engaged to ensure that our results give a true and fair view of the state of affairs of our Group; and
- Copies of tax returns and reply to tax queries will be kept by our finance department and only authorised person can assess the files.

Directors' and Sponsor's view

After due consideration, our Directors are of the view, and the Sponsor concurs, that the various internal control measures adopted by our Group are adequate and effective to avoid recurrence of the non-compliance incidents.

Our Directors and the Sponsor consider that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules. In arriving at their view, our Directors and Sponsor have taken into consideration the followings:

1. The non-compliance incidents were not willful and principally due to inadequate understanding of the tax regulatory requirements possessed by our relevant staff and did not involve intentional misconduct, fraud, dishonesty or corruption of the part of our Directors;
2. Our Directors have taken actions to ratify the non-compliance incidents to the extent practicable and strengthen our internal control system to prevent recurrence of the non-compliance incidents immediately after being informed of the non-compliance incidents;
3. Other than the non-compliance incidents, our Group has complied with the relevant tax laws and regulations since its establishment.

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LITIGATION

Set out below are details of the litigation against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

Details of incident and nature of injury	Date of accident	Underlying cause	Relationship	Status
The injured fell from the fourth rung of a ladder and suffered a fracture of his right foot.	27 March 2012	Falling from height	Employee of subcontractor	Settled with a sum of HK\$500,000

Save as disclosed above, during the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of our Group. The above claim was covered by insurance.

LICENCE & PERMITS

Save as disclosed in the section headed “Regulatory Overview” in this prospectus, there is no specific licensing requirement for conducting our Group’s business in Hong Kong, the PRC and Macau in addition to what is generally required for carrying on businesses in these places. As at the Latest Practicable Date, our Group has obtained all material licenses, permits and certificates which are necessary for its operations in Hong Kong, the PRC and Macau.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares to be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme), our Controlling Shareholders, comprising SGL, Mr. Leong and Ms. Chew, are together entitled to control the exercise of the voting rights of 75% of the Shares eligible to vote in the general meeting of our Company.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer (without taking into account of any allotment and issue of Shares pursuant to the exercise of any options to be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Share Offer.

(i) Financial independence

Our Group has its own accounting systems, accounting and finance department, independent treasury function for cash receipts and payment. We make financial decisions according to our own business needs.

Our accounting and finance department will be responsible for the financial reporting, liaising with our auditors and reviewing our cash position.

During the Track Record Period, our operations were financed by our internal resources and no financial assistance had been obtained from our Controlling Shareholders and their respective close associates. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Share Offer as we expect that our working capital will be funded by our income generated.

(ii) Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders and their respective close associates. Despite the fact that we will have certain exempt continuing connected transactions, particulars of which are set out in the section headed “Continuing Connected Transactions” in this prospectus, having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

sale and general administration resources with our Controlling Shareholders and/or their respective close associates; and (iii) our Controlling Shareholders and/or any of their respective close associates have no interest in any of our top five largest customers, suppliers or other business partners, our Directors consider that our Group can operate independently from our Controlling Shareholders and/or any of their respective close associates from the operational perspective.

(iii) **Management independence**

Mr. Leong, one of our Controlling Shareholders and one of our executive Directors, is the spouse of Ms. Chew, who is also one of our Controlling Shareholders and one of our executive Directors. However, a majority of our Board, being our other executive Director and three independent non-executive Directors, will also bring independent judgment to the decision-making process of our Board.

Apart from our Group, our Controlling Shareholders and their respective close associates are currently conducting other businesses or holding interest directly or indirectly in certain companies which are engaged in business not in competition with the business of our Group.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum.

(iv) **Administrative independence**

Our Group has our own capabilities and personnel to perform all essential administrative functions, including but not limited to internal control, human resources and information technology. Our company secretary is independent of our Controlling Shareholders and their respective close associates.

RULE 8.10 OF THE LISTING RULES

Save as disclosed in the section headed “Directors and Senior Management — Potential Competing Interests” in this prospectus, none of our Controlling Shareholders and our Directors has any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Our Controlling Shareholders (the “**Covenantors**”, each a “**Covenantor**”) have entered into the Deed of Non-competition in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally irrevocably and unconditionally undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that it, he or she would not, and would procure that its, his or her close associates (other than any member of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business currently and from time to time engaged by our Group in Hong Kong, the PRC, Macau and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the “**Restricted Business**”). Such non-competition undertaking does not apply if the Covenantor and his/her/its close associates (the “**Controlled Persons**”) and any company which the Covenantors individually or together, directly or indirectly, exercise or control the exercise of 30% or more of the voting power at general meetings or control the composition of a majority of the board of directors (the “**Controlled Companies**”):

- (i) in aggregate own any interest not exceeding five per cent. of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”); and
- (ii) the Relevant Company is listed in any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of the Company or any of its subsidiaries,

provided that:

- (i) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Companies in aggregate at any time; and
- (ii) the total number of the representatives of the relevant Controlled Person(s) and/or Controlled Company(ies) on the board of directors of the Relevant Company is not significantly disproportionate with respect to he/she/it shareholding in the Relevant Company.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed and traded on the Stock Exchange; (ii) as far as each Controlling Shareholder is concerned, he/she/it, or his/her/its close associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholders and/or their respective close associates are entitled to jointly or severally exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has undertaken that if each of our Controlling Shareholders and/or any of its/his/her close associates is given, offered or becomes aware of any business, investment or commercial opportunity which directly or indirectly engages in or owns a Restricted Business (“**New Business Opportunity**”),

- (a) he/she/it shall, and shall procure any Controlled Person and any Controlled Company to, notify the Company of such New Business Opportunity in writing and refer the same to the Company within ten days, and provide such relevant information as is required by our Company or our independent non-executive Directors in order to enable it to make an informed assessment of such opportunity;
- (b) he/she/it shall, and shall procure any Controlled Person and any Controlled Company to, grant a right of first refusal to our Group to take up the New Business Opportunity;
- (c) he/she/it shall not, and shall procure any Controlled Person and any Controlled Company not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/her/its/their Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to the Company; and
- (d) if there is a material change in the terms and conditions of the New Business Opportunity, he/she/it/they shall, and shall procure any Controlled Person and any Controlled Company to, refer the New Business Opportunity as so revised to the Company in the manner as set out above.

Our Directors (including our independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “**30-day Offering Period**”) of receipt of notice from our Controlling Shareholders, our Controlling Shareholders and/or his/her/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In the event that our Company requires additional time to assess the new business opportunities, our Company may give a written notice to our Controlling Shareholders during the 30-day Offering Period and our Controlling Shareholders agree to extend the period to a maximum of 60 business days.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Share Offer, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters involving our Group and/or matters in which such Director or his close associates have a material interest;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management — Directors — Independent non-executive Directors” in this prospectus; and
- (d) we have appointed Ample Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

CONTINUING CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

After Listing, the following on-going transactions will constitute continuing connected transactions of our Company under the Listing Rules:

A. CONNECTED PERSONS

The relevant connected persons, with whom our Group entered into the continuing connected transactions, are as follows:

1. **World Pioneer Asia Limited (“World Pioneer”)**

World Pioneer is a company incorporated in Hong Kong on 2 September 1998 and is held as to 50% and 50% by each of Mr. Leong and Ms. Chew, respectively. Accordingly, World Pioneer is our connected person.

2. **Pacific East Limited (“Pacific East”)**

Pacific East is a company incorporated in Hong Kong on 20 December 1999 and is held as to 0.001% by Mr. Leong and 99.999% by East Plum Investments Limited, a company incorporated in the BVI on 28 July 1999 and is held as to 100% by Mr. Leong. Accordingly, Pacific East is our connected person.

3. **Well East Limited (“Well East”, together with Mr. Leong, World Pioneer and Pacific East are herein collectively referred to as “Mr. Leong and his associates”)**

Well East is a company incorporated in Hong Kong on 30 October 2009 and is held as to 99.90% and 0.10% by each of Mr. Leong and Ms. Chew, respectively. Accordingly, Well East is our connected person.

B. CONTINUING CONNECTED TRANSACTIONS FULLY EXEMPT FROM THE RELEVANT REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND SHAREHOLDERS’ APPROVAL REQUIREMENTS

Set out below is a summary of the continuing connected transactions of our Company, which are fully exempt from the relevant reporting, annual review, announcement and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. Tenancy Agreements between our Group and Mr. Leong and his associates

Background

During the Track Record Period, Mr. Leong and his associates (as landlord) entered into various tenancy agreements (the “**Tenancy Agreements**”) with our Group (as tenant), pursuant to which the following properties (the “**Properties**”) were leased by Mr. Leong’s associates to our Group. The details of the major terms of the tenancy agreements in respect of the lease of the Properties are as follows:

Date of tenancy agreement	Address	Connected person (as landlord)	Subsidiary of our Group (as tenant)	Usage	Approximate area (sq. ft.)	Tenure	Monthly rental (HK\$)
31 March 2015	Unit D, 1st Floor, Hatton Place, No. 1A Po Shan Road, Hong Kong	World Pioneer	LCL Interior	Director’s quarter	1,214	1 April 2015 to 31 March 2017	60,800
31 March 2015	Unit D, 2nd Floor, Hatton Place No. 1A Po Shan Road Hong Kong	World Pioneer	LCL Interior	Director’s quarter	1,219	1 April 2015 to 31 March 2017	63,000
31 March 2015	Unit A, 21/F, Wyndham Place, No.44 Wyndham Street Central, Hong Kong	Pacific East	LCL Architects	Office	1,022	1 April 2015 to 31 March 2017	60,800
31 March 2015	Unit B, 21/F, Wyndham Place, No.44 Wyndham Street Central, Hong Kong	Pacific East	LCL Interior	Office	1,022	1 April 2015 to 31 March 2017	60,800
31 March 2015	Car parking space C22 5 th Carparking Floor Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong	Well East	LCL Decoration	Parking space	130	1 April 2015 to 31 March 2017	4,400

Implications under the Listing Rules

Given that each of Mr. Leong and Ms. Chew is an executive Director, and they are, collectively, our Controlling Shareholders, and that the Tenancy Agreements are entered into by our Group on one hand, and companies ultimately and beneficially owned as to 100% by Mr. Leong or Mr. Leong and Ms. Chew (as the case may be) on the other hand, the transactions under each of the Tenancy Agreements above constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Tenancy Agreements are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules. The highest applicable percentage ratio calculated with reference to the maximum aggregate annual rental payable by our Group to Mr. Leong and his associates under the Tenancy Agreements for each of the three years ending 30 September 2017 exceeds 0.1% but is less than 5%, and the aggregate annual rental payable by our Group under the Tenancy Agreements is less than HK\$3,000,000. Therefore, upon Listing, the transactions contemplated under the Tenancy Agreements constitute *de minimis* continuing connected transactions for our Company pursuant to Rule 14A.76(1) of the Listing Rules, which will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Historical transaction amounts

The aggregate amounts of rent paid by our Group under the Tenancy Agreements for the three years ended 30 September 2012, 2013 and 2014 and the five months ended 28 February 2015 amounted to approximately HK\$3,168,000, HK\$3,378,000, HK\$4,248,000 and HK\$1,220,000, respectively.

Proposed annual caps

For each of the three years ending 30 September 2017, the proposed annual cap amount for the aggregate rental payable by our Group under all the Tenancy Agreements will be approximately HK\$2,998,000. Such annual cap amount is estimated based on the annual rental payable by our Group to the landlord (i.e. Mr. Leong and his associates) as stipulated under the Tenancy Agreements. The respective rent under each of the Tenancy Agreements was determined by the parties through arm's length negotiations by reference to the market rent for similar properties in the vicinity of each property. According to the rental appraisal reports issued by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent firm of professional property valuer, the respective rental payable under each of the Tenancy Agreements are fair and reasonable and reflect the prevailing market rent of comparable properties.

OPINION OF OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms, and are fair and reasonable and in the interest of us and our Shareholders as a whole, and that the proposed annual caps for this transaction are fair and reasonable and in the interest of us and our Shareholders as a whole.

CONFIRMATION FROM THE SPONSOR

The Sponsor considers that the continuing connected transactions mentioned above have been entered into and are in the ordinary course of business of our Group on normal commercial terms and are fair and reasonable and in the interest of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and senior management are involved in the day-to-day management of our business. The following table sets forth certain information in respect of our Directors and senior management:

Name	Age	Position	Key Role	Date of joining our Group	Date of appointment as Director or Senior Management	Relationship with other Director(s) and/or Senior Management
Mr. Leong Hing Loong Rudoff (梁興隆)	47	Executive Director and Chairman	Responsible for overall strategic development and management of our Group	28 March 1996	19 January 2015	Spouse of Ms. Chew
Ms. Chew Christina Mooi Chong (周梅莊)	49	Executive Director and Chief Executive Officer	Oversees the operation of projects of our Group	28 March 1996	24 April 2015	Spouse of Mr. Leong
Mr. Shih Steven Chun Ning (施振寧)	51	Executive Director	Responsible for business development of our Group in the PRC	1 October 2011	24 April 2015	N/A
Mr. Tang Hamilton Ty (唐維鐘)	52	Independent Non-Executive Director	Provides independent advice to the Board	13 August 2015	13 August 2015	N/A
Mr. Lee Frank King-ting (李敬天)	58	Independent Non-Executive Director	Provides independent advice to the Board	13 August 2015	13 August 2015	N/A
Mr. Ho Hin Yip (何衍業)	41	Independent Non-Executive Director	Provides independent advice to the Board	13 August 2015	13 August 2015	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Key Role	Date of joining our Group	Date of appointment as Director or Senior Management	Relationship with other Director(s) and/or Senior Management
Ms. Chan Kin Yee Paula (陳健怡)	43	Associate director	Project management, coordination with different parties and progress monitoring	24 March 1997	17 February 2005	N/A
Ms. Kho Ngai Wah (許藝華)	39	Associate director	Oversees the strategic activities related to interior design of our Group	6 June 2002	17 February 2005	N/A
Mr. Cheng Chun Shing (鄭鎮昇)	40	Company secretary and chief financial officer	Oversees the overall financial management of our Group and company secretarial matters	6 January 2015	24 April 2015	N/A

Executive Directors

Mr. Leong Hing Loong Rudoff (梁興隆), aged 47, was appointed as our Director on 19 January 2015, and was as re-designated as our executive Director on 24 April 2015. Mr. Leong is one of our founders and is primarily responsible for the overall strategic development, management of our Group and managing client relationship. He is also a member of the remuneration committee and nomination committee. Mr. Leong is the chairman of our Group, a Controlling Shareholder and the spouse of Ms. Chew.

Mr. Leong has over 21 years of experience in architectural design, and interior design and fit out with most of such experience gained in Hong Kong. Prior to the establishment of our Group, Mr. Leong had developed his career in architectural practices in both Australia and Hong Kong. Mr. Leong has worked for our Group for over 19 years since the commencement of business of LCL Architects in 1996. Mr. Leong is also a director of each of SBHL, LCL Design, LCL Interior, LCL Construction, LCL China, LCL Ltd., LCL Decoration, LCL Architects and LCL Deco, all being our subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leong obtained a Bachelor's degree in Architecture from the University of Western Australia in Australia in December 1989. He has been a member of The Hong Kong Institute of Architects, an Overseas Member Level 1 of the Royal Australian Institute of Architects (formerly known as the Australian Institute of Architects) since April 1992 and a registered architect in Hong Kong since January 1992. He was also a Chartered International Member of the Royal Institute of British Architects from 1992 to 2012. He is also currently an authorised person (architect).

Ms. Chew Christina Mooi Chong (周梅莊), aged 49, was appointed as our Director on 24 April 2015, and was re-designated as our executive Director on 24 April 2015. Ms. Chew is one of our founders and is primarily responsible for overseeing the daily operation of our Group, including generating and guiding design concepts, and supervising the sales department of our Group. Ms. Chew is the Chief Executive Officer of our Group, a Controlling Shareholder and the spouse of Mr. Leong.

Ms. Chew has over 21 years of experience in architectural design, and interior design and fit out with most of such experience gained in Hong Kong. Prior to the establishment of our Group, Ms. Chew had developed her career in architectural practices in Australia and Hong Kong. Ms. Chew has worked for our Group for over 19 years since the commencement of business of LCL Architects in 1996. Ms. Chew is also a director each of SBHL, LCL Design, LCL Interior, LCL Construction, LCL China, LCL Ltd., LCL Decoration, LCL Architects and LCL Deco, all being our subsidiaries.

Ms. Chew obtained a Bachelor's degree in Applied Science (Architecture) and a Bachelor's degree in Architecture in February 1988 and February 1990 respectively from Curtin University of Technology (Western Australia). She has been a member of The Hong Kong Institute of Architects since June 1994. She has also been an Overseas Member Level 1 of the Royal Australian Institute of Architects (formerly known as the Australian Institute of Architects) since April 1994, a Chartered International Member of the Royal Institute of British Architects since March 1995, a registered architect in Hong Kong and an authorised person (architect) in Hong Kong since January 1995.

Mr. Shih Steven Chun Ning (施振寧), aged 51, was appointed as our Director on 24 April 2015, and was re-designated as our executive Director on 24 April 2015. He is mainly responsible for business development for our Group in the PRC, managing client relationship and exploring new business opportunities. He also coordinates drafting services for our Group.

Mr. Shih has over 10 years of banking experience with a number of investment banks in Hong Kong from 1988 to 1999. Mr. Shih left the banking field in 1999, and invested a majority stake in a listed company that was principally engaged in the telephone handset design and manufacturing in July 1999 which was formerly listed on the Stock Exchange and he became the chairman in September 1999. He later disposed of his shareholding interests of that company in 2000. He is currently a director of each of TM Design and SZ Meike, and a shareholder of TM Design. TM Design and SZ Meike are principally engaged in providing design and fit out work for retail shops and a number of commercial offices, and providing drafting services, respectively. For details of such companies please refer to the section headed "Directors and Senior Management — Potential Competing Interests" in this prospectus. Mr. Shih joined our Group in 2011 to develop our Group's business in Hong Kong and the PRC and later provided drafting work service to our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shih obtained his Bachelor's degree in Science from the University of British Columbia in 1986 and his Master's degree in Business Administration from the same university in 1988.

Independent Non-Executive Directors

Mr. Tang Hamilton Ty (唐維鐘), aged 52, was appointed as our independent non-executive Director on 13 August 2015. Mr. Tang is also a chairman of the remuneration committee and a member of the audit committee and nomination committee.

Mr. Tang has over 16 years of experience in investment. He had worked at Morgan Stanley Asia Limited from February 1993 to July 1996 specialising in investment banking. Since 2000, Mr. Tang has been the Chief Executive Officer of Simon Murray & Co Limited, a company engaged in investment, fund management and investment advisory.

Mr. Tang received his Bachelor of Arts degree in History and Master's degree in Business Administration from Harvard University and Harvard Business School in June 1985 and June 1991, respectively. He also obtained a juris doctorate from Harvard Law School in June 1991. He was a Responsible Officer of Landmark Asset Management Limited, a corporation which is licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO from January 2008 to October 2010. He resumed the role of Responsible Officer of Landmark Asset Management Limited in May 2012 and has been in the same position since then.

Mr. Lee Frank King-ting (李敬天), aged 58, was appointed as our independent non-executive Director on 13 August 2015. Mr. Lee is also a chairman of the nomination committee and a member of the audit committee and remuneration committee.

Mr. Lee has over 12 years of experience in production, design, test, product management and marketing in the specialised industry of digital telecommunication semiconductors/integrated circuits. He joined Tom Lee Music Company Limited as the Director of Marketing in April 1994. He is currently the president and a director of Tom Lee Music Co., Ltd. in Hong Kong as well as a director of Tom Lee Music Foundation Limited.

Mr. Lee graduated from the Faculty of Electrical Engineering at the University of British Columbia in Canada in May 1979. He was previously a member of the Consumer Council, Chairman of the Board of Trustees of the Hong Kong Jockey Club Music and Dance Fund, Member of the Telecommunications (Competition Provisions) Appeal Board and President of the Rotary Club of Kowloon. At present, he is a member of the Advisory Committee on Arts Development, Vice Chairperson of Hong Kong General Chamber of Commerce Retain & Tourism Committee, a member of the Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference, an appointed member of the Quality Tourism Services Association Governing Council, a member of the council of the Hong Kong Academy for Performing Arts.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Hin Yip (何衍業), aged 41, was appointed as our independent non-executive Director on 13 August 2015. He is also a chairman of the audit committee.

Mr. Ho has more than 17 years of financial and auditing experience.

Mr. Ho has been the independent non-executive director of PME Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 379), since 21 December 2012. He has also been the independent non-executive director of Xinhua News Media Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 309), since 29 December 2014. Mr. Ho is also currently the Financial Controller and Joint Company Secretary of Dukang Distillers Holdings Limited, a Singapore listed company, where he is responsible for the finance and accounting functions, statutory compliance and corporate governance affairs.

He obtained his Bachelor's degree in Business Administration from the Chinese University of Hong Kong in December 1997 in Hong Kong. He was admitted as an associate of Hong Kong Institute of Certified Public Accountants in October 2000 and is currently practising as a certificate public accountant. He was also admitted as a fellow of the Association of Chartered Certified Accountants in August 2005.

Save as disclosed below in this section and in the section headed "Statutory and General Information" in Appendix IV to this prospectus, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO and is independent from and is not related to any other Directors, senior management, and substantial shareholders of our Company. Save as disclosed above, as at the Latest Practicable Date each of our Directors has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus, and has not been involved in any of the events described under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules. Save as disclosed below, there are no other matters concerning each of our Directors' directorship with our Company that need to be brought to the attention of our Shareholders and the Stock Exchange and there are no other matters in connection with each of our Directors' appointment which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management comprises all of our executive Directors, our chief financial officer and company secretary, and the following persons. Our senior management is responsible for the day-to-day management of our business. For biographical detail of our Directors who form part of the senior management, please see the paragraph headed "Directors" above.

Ms. Chan Kin Yee Paula (陳健怡), aged 43, joined our Group in 1997 as the office manager and was promoted to project manager and associate director in 2002 and 2005, respectively. Ms. Chan has been in the same position since then. Ms. Chan is responsible for project management, coordination with different parties and progress monitoring.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan obtained her bachelor's degree in business administration from Royal Melbourne Institute of Technology in August 2002 through distance learning.

Ms. Kho Ngai Wah (許藝華), aged 39, joined our Group in June 2002 as an interior designer. She was then promoted as the associate director in 2005 and has been in the same position till present. Ms. Kho is responsible for overseeing all the strategic activities related to interior design of our Group.

Ms. Kho has 13 years of experience in interior design.

Ms. Kho received the Diploma in Design (Interior) and the Higher Certificate in Design (Interior) from Lee Wai Lee Technical Institute, currently known as the Hong Kong Institute of Vocational Education, in August 1995 and July 1997, respectively.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. Cheng Chun Shing (鄭鎮昇), aged 40, joined our Group in January 2015 and was appointed as our company secretary and chief financial officer in April 2015. Mr. Cheng is primarily responsible for overseeing the overall financial management of our Group and company secretarial matters.

Mr. Cheng has extensive experience in accounting, auditing, and corporate financial management about 17 years. He has over 12 years of audit experience in international accounting firms.

Mr. Cheng obtained his Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 1997 in Hong Kong. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in January 2001 and was admitted a fellow member in October 2014. He has also been an associate member of the Institute of Chartered Accountants in England and Wales since January 2008.

Mr. Cheng was also the company secretary and group financial controller of Sustainable Forest Holdings Limited (永保林業控股有限公司) (stock code: 723), a company listed on the Main Board of the Stock Exchange and is principally engaged in the ownership and management of forest plantation trees, the sale of timber logs, and manufacturing of engineered-wood products, during the periods from September 2012 to September 2014 and November 2011 to December 2014, respectively.

None of our senior management has held any directorship in any listed companies in the three years preceding the Latest Practicable Date.

HUMAN RESOURCES

At as the Latest Practicable Date, we had 20 employees who were directly employed by our Group in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

We recruit our employees from the open market and enter into employment contracts with our employees. We offer remuneration packages which we believe to be competitive to our employees, including salaries and bonuses. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

We incurred staff costs of approximately HK\$9.4 million, HK\$9.2 million, HK\$9.8 million and HK\$5.1 million for each of the three years ended 30 September 2014 and the five months ended 28 February 2015, respectively. We review the performance of our employees semi-annually or annually and use such results in our salary review and promotional appraisal in order to attract and retain talented employees. In order to promote overall efficiency, employee loyalty and retention, we provide our employees with on-job training and promotion prospects.

REMUNERATION OF DIRECTORS

Each of our executive Directors' service contract has a term of three years commencing from the Listing Date and may be terminated by either party by giving not less than three calendar months' notice in writing. Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from the Listing Date and may be terminated by either party by giving at least three months' notice.

The salary of each executive Director after each financial year is subject to adjustment as determined by our Company's remuneration committee and approved by a majority of the members of the Board (excluding our Director whose salary is under review).

The aggregate emoluments paid and benefits in kind granted by our Group to our Directors during the relevant periods in respect of their service provided to our Group are set out below:

	For the year ended			For the five months ended	
	30 September			28 February	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	—	—	—	—	—
Other emoluments:					
- Salaries, allowance, bonuses and benefits in kind payment expenses	1,880	2,025	4,228	1,649	2,150
- Pension scheme contributions	26	30	33	12	20
	<u>1,906</u>	<u>2,055</u>	<u>4,261</u>	<u>1,661</u>	<u>2,170</u>

(Unaudited)

DIRECTORS AND SENIOR MANAGEMENT

Retirement Benefit Schemes

All of our Group's employees in Hong Kong have joined a mandatory provident fund scheme (the "MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. Our Group has complied with the relevant laws and regulations, and that relevant contributions have been paid by our Group in accordance with the aforesaid laws and regulations.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme on 13 August 2015 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules, and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and consider the application of the financial reporting and internal control principles of our Company, and to maintain an appropriate relationship with our Company's auditor.

The audit committee currently consists of three independent non-executive Directors. The members currently are Mr. Ho Hin Yip, Mr. Tang Hamilton Ty and Mr. Lee Frank King-ting. It is currently chaired by Mr. Ho Hin Yip, an independent non-executive Director.

Remuneration Committee

Our Company has established a remuneration committee in compliance with Rule 3.25 of the Listing Rules, and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy.

The remuneration committee currently comprises two independent non-executive Directors and one executive Director. The members currently are Mr. Tang Hamilton Ty, Mr. Lee Frank King-ting and Mr. Leong Hing Loong Rudoff. It is currently chaired by Mr. Tang Hamilton Ty, who is an independent non-executive Director.

Nomination Committee

Our Company has established a nomination committee in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy.

DIRECTORS AND SENIOR MANAGEMENT

The nomination committee currently comprises two independent non-executive Directors and one executive Director. The members currently are Mr. Lee Frank King-ting, Mr. Tang Hamilton Ty and Mr. Leong Hing Loong Rudoff. It is currently chaired by Mr. Lee Frank King-ting, who is an independent non-executive Director.

COMPLIANCE ADVISER

Our Company has appointed Ample Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser's agreement that our Company entered into with the compliance adviser are as follows:

1. our compliance adviser's term of appointment shall be for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date;
2. our Company may terminate the appointment of the compliance adviser by giving reasonable notice to the compliance adviser. Our Company will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance adviser will have the right to terminate its appointment as compliance adviser under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and
3. pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:
 - (a) before the publication of any regulatory announcement, circular or financial report;
 - (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
 - (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviated from any forecast, estimate, or other information in this prospectus; and
 - (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our listed securities under to Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

POTENTIAL COMPETING INTERESTS

Set out below are the interests of one of our Directors in businesses which may compete with our business for the purpose of Rule 8.10(2) of the Listing Rules as at the Latest Practicable Date:

Name of director	Name of company	Nature of business	Nature of Interests
Mr. Shih	TM Design	Design and fit out work for commercial offices and fit out work for international retail chain stores	A shareholder holding 50% interests and a director
	SZ Meike	Providing drafting service	A legal representative and a director

TM Design

Mr. Shih is the director and shareholder holding 50% of the issued share capital of TM Design. TM Design is held as to 50% and 50% by Mr. Shih and another shareholder, who is also a director of TM Design. Hence, TM Design is jointly controlled by Mr. Shih and the abovementioned person. Save for his shareholding interests and directorship in TM Design, the shareholder holding the remaining 50% interests in TM Design is an Independent Third Party. Even though TM Design was one of our Group's five largest suppliers for the year ended 30 September 2014, it had only entered into a one-off transaction with our Group during the Track Record Period. The amount paid to TM Design for such transaction was approximately HK\$5.1 million for the year ended 30 September 2014.

Immediately before TM Design was engaged, our Group was developing the PRC market, which was a relatively new market to our Group. Our management preferred a cautious approach in a bid to build up our reputation in the PRC. In the circumstances, we needed to find a suitable subcontractor who would be (i) reliable; (ii) able to deliver quality work while adhering strictly to our schedule; and (iii) able to arrange for sufficient manpower in the PRC. For further information relating to our subcontractors, please refer to the section headed "Business — Suppliers — Subcontractors" in this prospectus. TM Design was engaged at that time for providing fit out work of a sizeable PRC project mainly due to its reliability and connection with licensed subcontractors in the PRC as mentioned below to take up the fit out work of the abovementioned sizeable DFD project of our Group in the PRC. Since we did not have long-term relationship with Supplier H, as a risk-control measure, we preferred not to rely solely on Supplier H but would engage another subcontractor to ensure that they could supplement or substitute each other.

At the execution stage of the project, we requested for quotations from various subcontractors but so far only quotations from Supplier H and TM Design for respective parts of the project and another subcontractor for the whole project were received. As we were required to adhere to the schedule for delivering our DFD service to our customer of the PRC project strictly, we needed to locate reliable PRC subcontractors of whom we were familiar with and would be capable of delivering quality work under time pressure to minimise the risk of subcontractor default.

DIRECTORS AND SENIOR MANAGEMENT

In respect of reliability, though TM Design had never carried out any design and fit out work for residential property projects at that time, considering that Mr. Shih was a shareholder of TM Design, it was unlikely that TM Design would evade its contractual obligations and hence TM Design was regarded as a reliable subcontractor. In respect of manpower, although it was not equipped with the requisite licences to carry out fit out work in the PRC on its own, TM Design had the ability and connection to arrange sufficient manpower as well as licensed subcontractors to provide fit out work in the PRC. Since the quote given by the other subcontractor for the whole project was higher than the quotes from TM Design and Supplier H together, our Group decided to engage TM Design to partner with Supplier H, who had only been engaged by our Group as a subcontractor for a sizable DFD project once previously, to complete the project under the guidance and close supervision of our Group. In respect of work quality and ability to deliver work under tight schedule, since Supplier H was a relatively new subcontractor to us at the time of engagement, as a risk-control measure, we had to engage another subcontractor, who would be familiar with our requirements, to oversee the work delivered by Supplier H and to provide guidance. In addition, our Group had an onsite foreman to monitor the work-in-progress closely and report regularly. Each of Supplier H and TM Design entered into the service agreement with our Group for that PRC project, the nature of their work was similar but they were in charge of different units of the same project. For the abovementioned project, our subcontracting fee paid to TM Design and Supplier H was HK\$5.1 million and HK\$5.3 million respectively for the year ended 30 September 2014.

Since Supplier H's quotation was competitive, our Group's intention was to partner it with TM Design for that particular project so that later on it would be able to handle the fit out work subcontracted to it on its own. After collaborating with TM Design for the above mentioned project, Supplier H became familiar with our requirements and standards of work. Our management considers that it is now a reliable subcontractor and is capable of handling our fit out work on its own.

During the Track Record Period, the gross profit margin of our one-off DFD project with TM Design engaged as a subcontractor was approximately 40.5%, which was solely attributable to our gross profit margin for PRC DFD project for the year ended 30 September 2014. The gross profit margin of such project was considered high as compared to other PRC DFD projects in the remaining years/ periods, where we had recorded gross profit margin of approximately 32.3% , 9.7% and 52.4% for the years ended 30 September 2012, 2013 and the five months ended 28 February 2015, respectively.

Scope and size of competing business

The Directors consider that there is no actual competing business between our Group and TM Design due to the following reasons:

(i) *Different market segment and target customers*

Our Group is a one-stop integrated interior design solutions provider based in Hong Kong with a primary focus on the residential property segment in Hong Kong, the PRC and to a lesser extent, Macau, whose integrated interior design solutions include design, fit out and decoration. TM Design is primarily engaged in providing design and fit out services for commercial offices, and the provision of fit out services to international retail chain stores in Hong Kong.

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The target customers of TM Design are international retail chain store operator(s) and corporate clients. Since the international retail chain store operators have their own designers to develop the overall guiding theme of their retail chain stores, the services provided by TM Design to this type of client is limited to fit out work only. TM Design provides both design and fit out services for commercial offices.

The main types of projects of our Group are primarily DD and DFD projects for residential property segment. The target customers of our Group are residential property developers. During the Track Record Period, over 90% of our revenue were derived from our Group Customers who are either Hong Kong blue chip listed property developers or Hong Kong listed companies. Our Group's design services normally encompass a variety of conceptual design and developments of our customers' residential show flats and sales offices.

Our Directors are of the view that the target customers of our Group, being blue chip listed property developers or Hong Kong listed companies, will only make RFP from sizeable companies with the relevant experience and design capabilities for residential property projects. Since TM Design only provides design services for commercial offices, our Directors consider that TM Design does not have the experience and design capabilities to fulfill the requisite requirements of blue chip listed property developers or Hong Kong listed companies. As confirmed by Mr. Shih, TM Design has never received any RFP from any blue chip listed property developers or Hong Kong listed companies during the Track Record Period.

As such, while both our Group and TM Design are engaged in design and fit out work, their target customers are different. During the Track Record Period, there are no overlapping customers between our Group and TM Design.

All of our Group's fit out works are outsourced to the fit out subcontractors. Our Directors are of the view that the value of our fit out management services hinges on our ability to select and monitor our subcontractors. Given that the types of projects undertaken by our Group and TM Design are different, the fit out management services provided by each of the said parties are different.

(ii) *Different operating scale*

For the three years ended 30 September 2014 and the five months ended 28 February 2015, our revenue amounted to approximately HK\$270.3 million, HK\$183.4 million, HK\$113.8 million and HK\$56.2 million, respectively. The average contract size of our Group's DD projects and DFD projects during the Track Record Period were approximately HK\$1.9 million and HK\$18.4 million, respectively.

The revenue from operation of TM Design for each of the three years ended 31 December 2014 was approximately HK\$0.26 million, HK\$3.43 million and HK\$8.1 million, respectively. The net profit/(loss) of TM Design for the three years ended 31 December 2014 was approximately (HK\$85,600), (HK\$60,326) and HK\$412,380, respectively. The average contract size of TM Design's projects (excluding the contract awarded by our Group) during the three years ended 31 December 2014 was approximately HK\$0.22 million.

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Based on the aforesaid, there is no actual competing business between our Group and TM Design. Given that TM Design does not have the experience and design capabilities that our customers require, our Directors consider that the possibility of TM Design competing with our Group is remote. Therefore, our Directors are of the view that the competition between our Group and TM Design, if any, is not extreme and such competition would not affect our Company's suitability for Listing.

SZ Meike

SZ Meike was one of our top five largest suppliers for the year ended 30 September 2014 and the five months ended 28 February 2015 and an Independent Third Party. Mr. Shih is the legal representative and director of SZ Meike. Mr. Shih was employed as the legal representative and the director of SZ Meike to oversee and monitor the daily operation of SZ Meike as the shareholders had other engagements which called for a greater time commitment. The shareholders of SZ Meike are Independent Third Parties. Mr. Shih does not hold any shareholding interests in SZ Meike and he does not have control on SZ Meike. The approved business scope of SZ Meike includes interior contracting, decoration, fit out work and lay-out design. The drafting work provided by SZ Meike does not involve any design work nor aesthetic judgment but mainly entails technical drawing. Based on our preliminary design, we provide further instructions and technical specifications to SZ Meike for developing our design into a finished layout plan. We engaged SZ Meike during the Track Record Period because it possesses the relevant skills and capacity to provide the drafting work we need and as a result of costs concern.

During the Track Record Period, we have engaged SZ Meike as our drafting service subcontractor to undertake the detailed drafting works for most of our projects. Such services were provided pursuant to the annual service agreements with SZ Meike, with a cost of service of approximately HK\$1.1 million, HK\$3.4 million and HK\$4.1 million and HK\$1.6 million for the three years ended 30 September 2014 and the five months ended 28 February 2015. SZ Meike was involved in the detailed drafting work in most of our projects and such subcontracting works only represent an immaterial part of our projects, which accounted for approximately 0.4%, 1.8%, 3.6% and 2.8% of our overall revenue for the three years ended 30 September 2014 and the five months ended 28 February 2015 respectively.

Scope and size of competing business

The Directors consider that there is no actual competing business between our Group and SZ Meike due to the following reasons:

(i) *Different services*

As set out in the section headed "Business — Business Overview" in this prospectus, our Group's integrated interior design solutions include design, fit out, and decoration. In respect of the fit out management services, our Group will coordinate, manage and arrange for fit out works to be subcontracted. Our Group outsources most of the drafting works relating to the detailed design. Such drafting work includes 2D plans and elevation and 3D renderings. A majority of our 2D plans and elevation was subcontracted to SZ Meike during the Track Record Period. The drafting work provided

DIRECTORS AND SENIOR MANAGEMENT

by SZ Meike does not involve any design work nor aesthetic judgment but mainly entails technical drawing. Based on our preliminary design, we provide further instructions and technical specifications to SZ Meike for developing our design into a finished layout plan. The drafting subcontractor can be any Independent Third Party, such as SZ Meike.

To the best knowledge of Mr. Shih, SZ Meike is principally engaged in the provision of drafting service for third parties and it does not provide one-stop integrated interior design solutions like our Group.

(ii) *Different market segment and target customers*

The target customers of SZ Meike are primarily design companies. As set out above, the target customers of our Group are blue chip listed property developers or Hong Kong listed companies. The Directors consider that SZ Meike does not have the experience and design capabilities to serve blue chip listed property developers or Hong Kong listed companies and it mainly provides its drafting service pursuant to the instruction from its customers, being mainly design companies like us. As confirmed by Mr. Shih, SZ Meike has never received any RFP from any blue chip listed property developers or Hong Kong listed companies during the Track Record Period. As set out in the section headed “Business” in this prospectus, it is our business model to outsource all of our fit out works to our fit out subcontractors. Most of the drafting works relating to the detailed design are outsourced to our drafting subcontractors, primarily in order to save costs and due to the limited human resources that we have. During the Track Record Period, our Group had engaged SZ Meike on a yearly basis in respect of the drafting services, and the drafting work of most of our projects was subcontracted to SZ Meike. In addition to SZ Meike, our Group had also engaged another two drafting subcontractors on a project-by-project basis during the Track Record Period. Our Directors consider that the services fee charged by SZ Meike was more competitive, especially when compared to those service providers in Hong Kong. Further, SZ Meike was equipped with the human resources and capacity to provide the technical drawing skills that we needed. SZ Meike has been a reliable subcontractor throughout the Track Record Period. In addition, after several years of business relationship, SZ Meike becomes very familiar with the requirements and standards of work required from our Group and our Group was satisfied that they can deliver the drafting services that meet our expectations and standards and therefore, it is in the interests of our Group to continue engage SZ Meike as the principal drafting subcontractors. While our Group may continue to engage SZ Meike in the future on a monthly basis, our Directors are also willing to develop its subcontractor base, if needed. Given that substantial time will have to be spent in training up an appropriate subcontractor, our Group will locate other subcontractors with the appropriate experience and qualification if it is commercially sensible and if the schedule allows. Further, it is expected that our Group will strategically allocate more resources in employing more staff to provide in-house drafting services in respect of upcoming projects of our Group. This is to ensure that we have sufficient in-house drafting capacity for the new projects and to minimise reliance on our drafting subcontractors.

DIRECTORS AND SENIOR MANAGEMENT

To the best knowledge of Mr. Shih, during the Track Record Period, there are no overlapping customers between our Group and SZ Meike.

Based on the aforesaid, there is no actual competing business between our Group and SZ Meike. Given that SZ Meike does not have the experience and design capabilities that our customers require, our Directors consider that the possibility of SZ Meike competing with our Group is remote. Therefore, our Directors are of the view that the competition between our Group and SZ Meike, if any, is not extreme and such competition would not affect our Company's suitability for Listing.

Our Group's measures to prevent any potential conflicts of interests with SZ Meike and TM Design

Our Company has adopted or will adopt the following corporate governance measure to manage the conflict of interests arising from the competing interests of Mr. Shih and to protect the interests of our Company:

- (a) our executive Directors (including Mr. Shih) have given certain non-competition undertakings in their respective service contract with our Group, which provides that, *inter alia*, subject to the conditions and terms contained therein, each of them shall not carry on or be concerned or interested, directly or indirectly, in any capacity in any business which is in competition with our Group, nor become a holder of five percent (5%) or more of the issued shares or debentures of any company listed on any recognised stock exchange which is in competition with our Group;
- (b) Mr. Shih has attended training sessions to reinforce his awareness of his fiduciary duties as a Director which require him to, among other things, act for the benefit and in the best interests of our Company when a potential conflict of interests arises;
- (c) our Board will operate in accordance with the Articles, which require Mr. Shih to abstain from voting on (nor be counted in the quorum in relation to) any resolution of the Board in respect of any contract, transaction or arrangement in which Mr. Shih or any of his close associates is materially interested;
- (d) Mr. Shih will inform the Board of any of his competing business in a timely manner, this includes when SZ Meike or TM Design decides to engage in business which would compete with that of our Group;
- (e) our independent non-executive Directors will review the competing interests held by Mr. Shih on an annual basis and Mr. Shih will provide all the information necessary in this connection; and
- (f) the decisions on matters reviewed by our independent non-executive Directors will be disclosed in our annual reports.

Further, since TM Design is a connected person, should there be any transaction to be entered into between our Group and TM Design after Listing, the requirements regarding connected transactions of the Listing Rules will be complied with by our Group.

DIRECTORS AND SENIOR MANAGEMENT

Confirmation from our Directors

Our Directors confirm that our Group's transactions with TM Design and SZ Meike were entered into on normal commercial terms and are in the ordinary and usual course of business of our Group.

Confirmation from our Sponsor

Our Sponsor is of the view that our Group's transactions with TM Design and SZ Meike were entered into on normal commercial terms, in the ordinary and usual course of business of our Group.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Share Offer and Capitalisation Issue (but not taking into account of any Shares that may be allotted and issued pursuant to the exercise of any option(s) which may be granted under the Share Option Scheme), the following persons (not being a director or the chief executives of our Company) will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Substantial Shareholder	Capacity/Nature of interest	Total number of Share(s) held immediately after completion of the Share Offer and the Capitalisation Issue	Approximate percentage of interest in our Company's issued share capital immediately after the Share Offer and the Capitalisation Issue <i>(Note 3)</i>
SGL	Beneficial Owner	375,000,000 (L) <i>(Notes 1, 2)</i>	75%
Mr. Leong	Interest of controlled corporation	375,000,000 (L) <i>(Notes 1, 2)</i>	75%
Ms. Chew	Interest of spouse	375,000,000 (L) <i>(Notes 1, 2)</i>	75%

Notes:

- The letter "L" denotes the person's long position in the relevant Shares.
- SGL is held as to 75% by Mr. Leong and as to 25% by Ms. Chew as at the Latest Practicable Date. Therefore, Mr. Leong is deemed to be interested in the 375,000,000 Shares held by SGL under the SFO immediately after completion of the Capitalisation Issue. Ms. Chew is the spouse of Mr. Leong and is deemed to be interested in the Share(s) indirectly held by Mr. Leong through SGL.
- The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. We have therefore assumed that 500,000,000 Shares will be in issue on the Listing Date.

SUBSTANTIAL SHAREHOLDERS

For details of our Director's interests in Shares immediately following the Listing, please refer to the paragraph headed "C. Further Information about our Directors and Substantial Shareholders — 3. Disclosure of Directors' Interests" in Appendix IV to this prospectus. Save as disclosed herein, our Directors are not aware of any person (who is not a Director or chief executive of our Company) who will, immediately upon completion of the Listing, have an interest or short position in our shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or be directly or indirectly interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of our Group. Our Directors are not aware of any arrangement that may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

Our Company' authorised and issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares to be issued upon the exercise of options to be granted under the Share Option Scheme) will be as follows:

	Number of Shares	Nominal Value <i>(in HK\$)</i>
Authorised share capital	1,000,000,000	10,000,000
<i>Shares issued and to be issued, fully paid or credited as fully paid</i>		
Shares in issue at the Latest Practicable Date	26	0.26
Shares to be issued pursuant to the Capitalisation Issue	374,999,974	3,749,999.74
Shares to be issued pursuant to the Share Offer	<u>125,000,000</u>	<u>1,250,000</u>
Total	<u><u>500,000,000</u></u>	<u><u>5,000,000</u></u>

Ranking

The Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with each other, and will qualify for all dividends, income and other distributions declared, made or paid and any other rights and benefits attaching or accruing to the Shares following the completion of the Share Offer.

Share Option Scheme

We have conditionally adopted the Share Option Scheme whereby certain eligible participants (including, without limitation, directors, employees, advisers, consultants, suppliers, customers and agents of our Company or our subsidiaries) may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

General Mandate to Issue Shares

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to allot, issue and deal with additional Shares and to make or grant offers, agreements, options or securities which will or might require the exercise of such powers, provided that the aggregate nominal amount of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by our Directors, otherwise than pursuant to a rights issue, or upon the exercise of rights of subscription or conversion under any outstanding

SHARE CAPITAL

warrants to subscribe for Shares or any securities which are convertible into Shares or any scrip dividend in lieu of the whole or part of a dividend on the Shares, shall not exceed the aggregate of 20% of the aggregate nominal amount of the Shares in issue as at the date on which dealings in the Shares commence on the Stock Exchange, plus the aggregate nominal value of the Shares repurchased by our Company under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by law to be held; and
- (iii) the revocation or variation of the authority given by an ordinary resolution of our Shareholders.

For further details of this mandate, see the paragraph headed “A. Further information about our Company — 4. Written resolutions of the sole Shareholder dated 13 August 2015” in Appendix IV to this prospectus.

General Mandate to Repurchase Shares

Our Directors have been granted a general unconditional repurchase mandate to exercise all the powers of our Company to make on-market repurchases of such number of Shares which shall not exceed 10% of the aggregate nominal amount of the share capital of our Company in issue as at the date on which dealings in the Shares commence on the Stock Exchange. On the basis of 500,000,000 Shares in issue, immediately after the Share Offer and the Capitalisation Issue (but without taking into any Shares to be issued upon the exercise of options to be granted under the Share Option Scheme), the maximum number of Shares which can be repurchased pursuant to this repurchase mandate will be 50,000,000 Shares, representing approximately (but not more than) 10% of the issued Shares. This repurchase mandate only relates to on-market share repurchases (within the meaning of the Hong Kong Code on Share Buy-back) and will expire at the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by law to be held; and
- (iii) the revocation or variation of the authority given by an ordinary resolution of our Shareholders.

As at the Latest Practicable Date, our Company has no outstanding convertible debt securities.

SHARE CAPITAL

UNDERTAKINGS BY OUR COMPANY

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which dealings in the Shares commence on the Stock Exchange (whether or not such issues of Shares or securities will be completed within six months from the commencement of dealing), except in the circumstances provided under Rule 10.08 of the Listing Rules.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see the paragraph headed “2. Articles of Association — (i) Notices of meetings and business to be conducted thereat” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our Group's audited combined financial information, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus (the "Financial Information"). Our Group's combined financial statements have been prepared in accordance with HKFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a one-stop integrated interior design solutions provider based in Hong Kong. We generate revenue primarily from our one-stop integrated interior design solutions, including design, fit out, and decoration. We are also responsible for the overall project management. Our customers can choose from one or a combination of our solutions. The provision of our services to our customers can be broadly classified into two major types of projects: (i) design and/or decoration ("DD"), and (ii) design, fit out and decoration ("DFD"). During the Track Record Period, we primarily focused on the residential property segment in Hong Kong, the PRC and to a lesser extent in Macau by providing our integrated interior design services for residential show flats and sales offices of property developers.

We are responsible for the overall project management to ensure that the fit out and decorating works conform to the contractual requirements while meeting our design team and customers' expectation on time and within budget. Certain works such as on-site implementation will be subcontracted to our subcontractors, which we have established a good and trusted working relationship. Each of our projects will typically originate with a written or verbal RFP. After a contract is awarded to us, we usually set up the detailed works programme, outsource certain works to our subcontractors and coordinate among customers, subcontractors and material suppliers in completing the projects. Progress payments are received from the customers periodically according to the stages of completion of the works done, and the corresponding subcontracting fees and costs for materials payable to material suppliers and subcontractors are settled accordingly.

The projects that we undertook from our customers during the Track Record Period have primarily been in Hong Kong and the PRC and to a lesser extent in Macau. During the Track Record Period, we have provided our integrated design solutions for a range of projects which consists of (i) private projects for mostly private individuals and (ii) corporate projects for mostly established property developers which include, amongst others, show flats and sales office. For each of the three years ended 30 September 2014 and the five months ended 28 February 2015, we had a total of 32, 27, 20 and 22 ongoing and completed projects, respectively.

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For the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, our Group generated revenue of approximately HK\$270.3 million, HK\$183.4 million, HK\$113.8 million, HK\$69.1 million and HK\$56.2 million respectively. Our Group's gross profit was approximately HK\$66.6 million, HK\$42.7 million, HK\$43.9 million, HK\$29.4 million and HK\$20.9 million for the respective years and periods. The general downward trend in our revenue was mainly attributable to the introduction of policies by the Hong Kong Government in 2013 to cool down the demand for private properties. As a result, the domestic property market in Hong Kong slowed down, in response, our management has strategically and effectively allocated our manpower and resources to explore projects with higher profitability and market potentials. During the Track Record Period, our Group demonstrated a successful attempt to explore the PRC market and has been benefited from the increasing willingness of the property developers from the PRC to invest in show flats interior design and engage designers from overseas in the PRC.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 19 January 2015. Through a corporate reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus, our Company became the holding company of the subsidiaries now comprising our Group on 3 August 2015. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position as at 30 September 2012, 2013 and 2014 and 28 February 2015, present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates. The combined financial statements, which are presented in Hong Kong dollars, have been prepared in accordance with HKFRS and the disclosure requirements of the Listing Rules.

The Financial Information has been prepared by our Directors based on combined financial statements or, where appropriate, unaudited management accounts of the companies now comprising our Group.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(i) Market demand for our integrated interior design solution services

A significant amount of our revenue is derived from our integrated interior design projects in respect of our corporate clients who are mostly well established property developers. Our business, therefore, depends to a certain extent on the level of investment in primary residential property projects by property developers. In the event that demand of residential properties is reduced as a result of economic downturn and the integrated interior design works expenditures of property developers drop, our business, financial condition and results of operation may be adversely affected.

FINANCIAL INFORMATION

(ii) **Failure to complete projects according to specifications, quality standards, safety measures or timetable**

We have to complete our projects in accordance with our design as well as our customers' specifications, quality standards, safety measures and specified time frame. Failure to comply with any of these requirements may make us liable to pay penalties or damages, which may jeopardise our reputation and have an adverse effect on our business and profitability. During the Track Record Period, no claims for any damages or penalties have been made against us by our customers for any of the aforesaid reasons. We will continue to give full effort to ensure our current and future projects are completed in accordance with our customers' specifications, quality standards, safety measures and timetable.

(iii) **Our Group's business is project-based**

Our Group's business is project-based. The types of projects carried out by us will vary and, in turn, the revenue mix of our Group may fluctuate from time to time.

(iv) **We determine the contract price and proposal based on estimated time and costs. However, due to factors beyond our control, more time and/or costs may be incurred in the actual implementation of a project, thus affecting our profitability**

Factors such as shortage and cost escalation of materials and labour, additional variations to the plans requested by our customers or because of technical needs, disputes with subcontractors, accidents and other unforeseen problems and circumstances may affect the time taken and the costs actually involved in completing our projects. Any one of the above factors may give rise to delays in completion of works or costs overruns or even unilateral termination of projects by our customers.

(v) **Pricing of our contracts**

The contract price of our projects is based on our estimated project costs and time plus a mark-up margin. Our Directors did not set any rigid mark-up margins but endeavour to strike a balance between pricing our projects sufficiently competitive whilst maintaining an adequate profit margin. Pricing is particularly important for our projects since once the contract price is fixed, we will have to bear any cost increment due to unforeseen circumstances, save and except in the event of any variation orders agreed in advance between the parties.

When determining the appropriate mark-up, we take into account our customers' acceptable range of service price based on our past dealings with the customer and a number of other factors such as the scale, complexity and specification of the project, our capacity, project duration, the estimated project cost (which mainly includes the direct staff cost, subcontracting costs and material costs), historical fee we received for similar project, the current fee level in the market and the competitive conditions. While it is our objective to charge a reasonable price to maximise the shareholders' value, offering a less competitive price than our competitors may render our proposal unsuccessful. Offering a price below the actual cost may on the other hand erode or eliminate our gross profit and affect our financial results. Failure to balance the various factors in determining price will adversely affect our financial performance and results of operations.

FINANCIAL INFORMATION

In addition, we may be given variation orders by our customers to alter the scope of works or perform additional works on top of the terms and scope of the original contracts. A variation order may increase, omit or vary the original scope of work and adjust the original contract sum. We estimate the costs of each variation order and may negotiate with the customers for the charge of additional costs incurred. Variation orders may affect our margin as prices for additional purchases or subcontracting services have to be negotiated with our suppliers and subcontractors, and we may not be able to maintain the same gross profit margin for a variation order as that for the original contract as a result of higher material costs or subcontracting fees.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with HKFRS. These significant accounting policies are important for an understanding of the financial condition and results of operation of our Group and such accounting policies are set forth in the Accountants' Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified the following accounting policies that are most critical to the preparation of our combined financial statements.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following basis:

- (i) Project for our DFD service income is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the contract costs of the contracting work can be measured reliably. The stage of completion of a contract is established by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost;
- (ii) Our DD service income is recognised upon services rendered; and
- (iii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

Our Group's policy for recognition of service income from provision of our DFD service is set out in the accounting policy headed "Construction Contracts" below.

FINANCIAL INFORMATION

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the combined statements of profit or loss and other comprehensive income during the Track Record Period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	25%-30%

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gain and loss on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of profit or loss and other comprehensive income.

Construction contracts

Where the outcome of a construction contract in relation to provision of DFD services can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position as a liability, as receipt in advances. Amounts billed for work performed but not yet paid by the customers are included in the combined statements of financial position under trade receivables.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from “profit before taxation” as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where our Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the Track Record Period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Impairment of trade receivables

The aging debt profile of our trade debtors is reviewed on a regular basis to ensure that the trade receivables balances are collectable and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, our Group may experience delays in collection. Where recoverability of trade receivables balance are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aging analysis of the trade receivables balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the combined statements of profit or loss and other comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect the results of operations of our Group.

Provisions

Provisions are recognised when our Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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RESULTS OF OPERATION

The following table presents selected financial data from our combined statements of profit or loss and other comprehensive income for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, details of which are set out in the Accountants' Report in Appendix I to this prospectus. The financial information contained herein and in the Accountants' Report in the Appendix I to this prospectus is prepared in accordance with HKFRS and is presented as if our current group structure had been in existence throughout the periods presented.

Combined Statements of Profit or Loss and Other Comprehensive Income

	For the year ended 30 September			For the five months ended 28 February	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>
Revenue	270,293	183,429	113,786	69,112	56,240
Cost of sales	<u>(203,704)</u>	<u>(140,718)</u>	<u>(69,936)</u>	<u>(39,732)</u>	<u>(35,325)</u>
Gross profit	66,589	42,711	43,850	29,380	20,915
Other revenue and other gains	1,833	1,334	1,659	1,140	585
Other operating expenses	(1,576)	(615)	(1,472)	(1,137)	(670)
Administrative expenses	<u>(18,128)</u>	<u>(14,482)</u>	<u>(15,930)</u>	<u>(6,819)</u>	<u>(11,309)</u>
Profit before taxation	48,718	28,948	28,107	22,564	9,521
Taxation	<u>(8,622)</u>	<u>(5,613)</u>	<u>(4,756)</u>	<u>(3,620)</u>	<u>(2,286)</u>
Profit and total comprehensive income for the year/period	<u>40,096</u>	<u>23,335</u>	<u>23,351</u>	<u>18,944</u>	<u>7,235</u>
Profit and total comprehensive income/(loss) attributable to:					
Owners of the Company	39,530	23,216	23,200	18,403	7,540
Non-controlling interests	<u>566</u>	<u>119</u>	<u>151</u>	<u>541</u>	<u>(305)</u>
Dividends	<u>15,000</u>	<u>54,000</u>	<u>3,000</u>	<u>—</u>	<u>37,100</u>
Earnings per share:					
Basic and diluted (<i>HK cents</i>)	<u>10.5</u>	<u>6.2</u>	<u>6.2</u>	<u>4.9</u>	<u>2.0</u>

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PRINCIPAL COMBINED STATEMENTS OF PROFIT OR LOSS LINE ITEMS

Revenue

We generate our revenue principally from projects where we provide our one-stop integrated interior design solutions. During the Track Record Period, our revenue from the provision of our services was mainly derived from our two major types of projects: (i) DD; and (ii) DFD.

Revenue by project types

The following table sets forth the breakdown of our Group's revenue by different types of projects:

	For the year ended 30 September						For the five months ended 28 February					
	2012		2013		2014		2014		2015			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%		
	<i>(Unaudited)</i>											
DD	8,821	3.3%	5,609	3.1%	12,323	10.8%	3,473	5.0%	7,723	13.7%		
DFD	<u>261,472</u>	<u>96.7%</u>	<u>177,820</u>	<u>96.9%</u>	<u>101,463</u>	<u>89.2%</u>	<u>65,639</u>	<u>95.0%</u>	<u>48,517</u>	<u>86.3%</u>		
Total:	<u>270,293</u>	<u>100%</u>	<u>183,429</u>	<u>100%</u>	<u>113,786</u>	<u>100%</u>	<u>69,112</u>	<u>100%</u>	<u>56,240</u>	<u>100%</u>		

As our Group's business is project-based, the types of projects which we would carry out vary depending on our customers' specification as well as our pursuance of projects with higher potentials in terms of profitability, market potential, project diversity and business relationship sustainability.

(i) *Design and/or decoration ("DD")*

Our DD services are projects in which our customers engage us for one of or a combination of our interior design and decoration services without requiring our fit out service. Our Directors believe that our DD services are usually favoured by our customers based in the PRC who would engage other contractors to provide fit out works. Our staff would perform site visits and provide comments during the fit out stage. Upon the completion of fit out works by other contractors, we will provide decoration services with the furnishings and accessories we source as to conform to the theme/style of our design should our decoration service be requested.

During the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, our revenue generated from our DD services represented approximately 3.3%, 3.1%, 10.8% 5.0% and 13.7% of our overall revenue respectively.

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(ii) *Design, fit out and decoration (“DFD”)*

Our major revenue has been predominantly generated from projects where we provide our customers with our one-stop integrated interior design solutions including DFD services. With our integrated approach, our Group is able to manage and coordinate different aspects of a project such as planning, market positioning, sourcing, designing, executing and coordinating with different subcontractors and material suppliers, and endeavor to deliver a result that exceeds customers’ expectation.

During the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, our DFD represented approximately 96.7%, 96.9%, 89.2%, 95.0% and 86.3% of our overall revenue respectively.

During the Track Record Period, we primarily focused on the residential property segment in Hong Kong, the PRC and Macau by providing our integrated interior design services for residential show flats and sales offices of property developers. The scope of contract of our residential show flat and sales office related projects awarded by our customers often included also other residential facilities such as entrance lobby, lift lobby and clubhouse. Accordingly, the contract sums of which were often in a lump sum and were not separable.

The following table sets forth breakdown of our Group’s revenue contribution from the residential show flat and sales office related projects by different types of projects:

	For the year ended 30 September						For the five months ended 28 February			
	2012		2013		2014		2014		2015	
	HK\$’000	% of total revenue	HK\$’000	% of total revenue	HK\$’000	% of total revenue	HK\$’000	% of total revenue	HK\$’000	% of total revenue
DD	7,568	2.8%	3,152	1.7%	3,628	3.2%	2,200	3.2%	4,838	8.6%
DFD	238,543	88.3%	135,900	74.1%	69,669	61.2%	55,490	80.3%	24,901	44.3%
Total revenue from residential show flat and sales office related projects	<u>246,111</u>	<u>91.1%</u>	<u>139,052</u>	<u>75.8%</u>	<u>73,297</u>	<u>64.4%</u>	<u>57,690</u>	<u>83.5%</u>	<u>29,739</u>	<u>52.9%</u>

Note: Such revenue amount represented total revenue from residential show flat and sales office related projects which could include revenue derived from other residential facilities such as entrance lobby, lift lobby and clubhouse, as stated in the scope of the contract.

For our DD services, the revenue contribution from residential show flat and sales office related projects were approximately HK\$7.6 million, HK\$3.2 million, HK\$3.6 million, HK\$2.2 million and HK\$4.8 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively. For our DFD services, the revenue contribution from residential show flat and sales office related projects were approximately HK\$238.5 million, HK\$135.9 million, HK\$69.7 million, HK\$55.5 million and HK\$24.9 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively. The revenue contribution from

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residential show flat and sales office related projects accounted for approximately 91.1%, 75.8%, 64.4%, 83.5% and 52.9% of our total revenue for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively. The decreasing trend in our revenue contribution from residential show flat and sales office related projects are mainly attributable to the increasing number of (i) residential projects, such as, club house, lobby and private residential projects, that did not include our show flat and sales office interior design services in the contracts; as well as (ii) our non-residential projects such as hotels and restaurants projects.

Based on the Euromonitor Report, our Group accounted for (i) a share of 3.6% of the overall residential interior design and 8.8% of the residential show flat interior design in Hong Kong, in 2013; and (ii) a share of 0.002% of the overall residential interior design and 0.1% of the residential show flat interior design in the PRC, in 2013.

Revenue by property categories

The following tables set forth a summary of our revenue by client categories and by property categories:

Revenue by client categories

	For the year ended 30 September						For the five months ended 28 February			
	2012	2013		2014		2014	2015			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Private	3,533	1.3%	22,841	12.5%	13,323	11.7%	3,628	5.2%	9,705	17.3%
Corporate	266,760	98.7%	160,588	87.5%	100,463	88.3%	65,484	94.8%	46,535	82.7%
Total:	<u>270,293</u>	<u>100%</u>	<u>183,429</u>	<u>100%</u>	<u>113,786</u>	<u>100%</u>	<u>69,112</u>	<u>100%</u>	<u>56,240</u>	<u>100%</u>

Revenue by property categories

	For the year ended 30 September						For the five months ended 28 February			
	2012	2013		2014		2014	2015			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>									
DD										
<i>Corporate</i>										
- Residential properties	7,621	2.9%	5,609	3.1%	11,723	10.3%	2,873	4.2%	6,573	11.7%
- Hotel and others	<u>1,200</u>	<u>0.4%</u>	<u>—</u>	<u>—</u>	<u>600</u>	<u>0.5%</u>	<u>600</u>	<u>0.8%</u>	<u>1,150</u>	<u>2.0%</u>
Subtotal	<u>8,821</u>	<u>3.3%</u>	<u>5,609</u>	<u>3.1%</u>	<u>12,323</u>	<u>10.8%</u>	<u>3,473</u>	<u>5.0%</u>	<u>7,723</u>	<u>13.7%</u>

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	For the year ended 30 September						For the five months ended 28 February			
	2012		2013		2014		2014		2015	
	HK\$'000	% HK\$'000	% HK\$'000	% HK\$'000	% HK\$'000	% HK\$'000	% HK\$'000	% HK\$'000	%	
<i>(Unaudited)</i>										
DFD										
<i>Private</i>										
- Residential properties	3,533	1.3%	22,841	12.5%	13,323	11.7%	3,628	5.2%	9,705	17.3%
<i>Corporate</i>										
- Residential properties	257,939	95.4%	154,979	84.4%	77,546	68.2%	62,011	89.8%	38,545	68.5%
- Hotel and others	—	—	—	—	10,594	9.3%	—	—	267	0.5%
Subtotal	<u>261,472</u>	<u>96.7%</u>	<u>177,820</u>	<u>96.9%</u>	<u>101,463</u>	<u>89.2%</u>	<u>65,639</u>	<u>95.0%</u>	<u>48,517</u>	<u>86.3%</u>
Total:	<u>270,293</u>	<u>100%</u>	<u>183,429</u>	<u>100%</u>	<u>113,786</u>	<u>100%</u>	<u>69,112</u>	<u>100%</u>	<u>56,240</u>	<u>100%</u>

We have provided our interior design solutions for a variety of properties at the requests from customers who can be broadly classified as: (i) private projects — clients of which are mostly private individuals; and (ii) corporate projects — clients of which are mostly property developers.

Private project

Private projects are mainly projects of high-end residential flats engaged directly by our individual customers or through a corporate entity by our individual customers for private use. During the Track Record Period, our private customers are mostly wealthy individuals who principally engaged us for our DFD services coupled with our overall project management.

Our revenue generated from our private projects increased by approximately 546.5% from approximately HK\$3.5 million for the year ended 30 September 2012 to approximately HK\$22.8 million for the year ended 30 September 2013, representing approximately 1.3% and 12.5% of our overall revenue for the respective years. The tremendous increase in revenue derived from our private projects during the year was predominantly attributable to a project which was viewed as an iconic prestigious luxury residence in Hong Kong and accounted for approximately HK\$18.1 million or approximately 79.0% of revenue from our private project category for the year ended 30 September 2013. However, given the one-off nature of most of our private projects, our revenue derived from private projects for the year ended 30 September 2014 dropped by approximately 41.7% to approximately HK\$13.3 million despite the fact that our Group also undertook two high-end private residential projects during the year.

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For the five months ended 28 February 2014 and 2015, our revenue generated from our private residential projects surged by approximately 167.5% from approximately HK\$3.6 million to approximately HK\$9.7 million, as most of the revenue of the abovementioned high-end private project was recognised in the second half year ended 30 September 2014. Also, we have undertaken another major high-end private residential project of approximately HK\$8.8 million for the five months ended 28 February 2015.

Corporate project

During the Track Record Period, the majority of our revenue was derived from providing our integrated interior design solutions to our corporate clients who are mostly well-established property developers. During the Track Record Period, over 90% of our revenue are derived from our Group Customers who are either Hong Kong blue chip listed property developers or Hong Kong listed companies. The types of properties for which we provided our one-stop integrated interior design solutions to our corporate clients include residential properties, hotels and others. Residential properties for our corporate projects include a wide range of residential facilities for the use of direct sales and marketing of the residential properties to the end users. These types of residential facilities include: show flat, sales office, entrance lobby, lift lobby, toilet and clubhouse. On the other hand, hotel and others projects require the design of interior space of facilities, such as, hotel rooms, hotel lobbies, restaurants and commercial office lobbies.

Our revenue generated from our corporate projects were approximately HK\$266.8 million, HK\$160.6 million, HK\$100.5 million, HK\$65.5 million and HK\$46.5 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, representing approximately 98.7%, 87.5%, 88.3%, 94.8% and 82.7% of our overall revenue for the respective periods.

Being the major revenue component for (i) DD; and (ii) DFD projects, the percentage distributions of our revenue generated from our corporate clients in terms of residential properties between the two types of projects have been in line with the trend of our overall revenue. The portions of our revenue derived from providing our DD services to our corporate clients in terms of residential properties was approximately 2.9%, 3.1%, 10.3%, 4.2% and 11.7% for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015. The revenue derived from such types of projects for the year ended 30 September 2013 decreased slightly since more resources and manpower were allocated to DFD projects in the PRC during the respective year. With the increasing number of project invitations from the PRC based property developers who are favoured in engaging our Group in providing DD services without requiring our fit out service; our portion of revenue derived from providing our DFD services for residential properties of our corporate clients had a downward trend representing approximately 95.4%, 84.4%, 68.2%, 89.8% and 68.5% for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015. Such trend was in line with the increasing number of projects from our PRC property developer clients during the slowdown of the Hong Kong property market since 2013. As our PRC based property developers tended to engage us for our DD services, the percentage of composition between our revenue derived from our corporate clients in terms of residential properties derived from our DD

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projects increased from approximately 3.1% for the year ended 30 September 2013 to approximately 10.3% for the year ended 30 September 2014 while such revenue from our DFD projects decreased from approximately 84.4% for the year ended 30 September 2013 to approximately 68.2% for year ended 30 September 2014. The same trends occurred for the five months ended 28 February 2015.

The variety of projects undertaken by us vary depending on our customers' own business plan. Therefore, on top of our success in residential property market, our Group has also taken part in a number of hotel and other interior design projects as invited by several established property developers who have long-term business relationships with our Group and some new customers who were attracted by our designs. During the Track Record Period, our revenue generated from hotel and others projects were approximately HK\$1.2 million, nil, HK\$11.2 million, HK\$0.6 million and HK\$1.4 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, representing approximately 0.4%, nil, 9.8%, 0.8% and 2.5% of our revenue respectively for the relevant periods. While most of our hotel and other projects that belong to DD projects made insignificant revenue contribution to our Group throughout the Track Record Period, the significant increase in revenue generated from our hotel and other projects for the year ended 30 September 2014 was mainly attributable to a one-off engagement by providing our DFD services for a hotel project with revenue of approximately HK\$10.6 million during the year.

Revenue by geographical location

The following tables set forth the breakdown of our Group's revenue by geographical location of the projects:

	For the year ended 30 September						For the five months ended			
	2012		2013		2014		28 February		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>									
PRC	5,795	2.2%	35,377	19.3%	56,109	49.3%	40,702	58.9%	9,403	16.7%
Hong Kong	240,896	89.1%	141,044	76.9%	57,077	50.2%	27,810	40.2%	46,837	83.3%
Macau	23,602	8.7%	7,008	3.8%	600	0.5%	600	0.9%	—	—
Total:	<u>270,293</u>	<u>100%</u>	<u>183,429</u>	<u>100%</u>	<u>113,786</u>	<u>100%</u>	<u>69,112</u>	<u>100%</u>	<u>56,240</u>	<u>100%</u>

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	For the year ended 30 September						For the five months ended 28 February			
	2012		2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
DD										
PRC	4,563	1.7%	1,986	1.1%	11,723	10.3%	2,873	4.2%	7,723	13.7%
Hong Kong	4,258	1.6%	3,623	2.0%	—	—	—	—	—	—
Macau	—	—	—	—	600	0.5%	600	0.8%	—	—
Subtotal	<u>8,821</u>	<u>3.3%</u>	<u>5,609</u>	<u>3.1%</u>	<u>12,323</u>	<u>10.8%</u>	<u>3,473</u>	<u>5.0%</u>	<u>7,723</u>	<u>13.7%</u>
DFD										
PRC	1,232	0.5%	33,391	18.2%	44,386	39.0%	37,829	54.7%	1,680	3.0%
Hong Kong	236,638	87.5%	137,421	74.9%	57,077	50.2%	27,810	40.3%	46,837	83.3%
Macau	23,602	8.7%	7,008	3.8%	—	—	—	—	—	—
Subtotal	<u>261,472</u>	<u>96.7%</u>	<u>177,820</u>	<u>96.9%</u>	<u>101,463</u>	<u>89.2%</u>	<u>65,639</u>	<u>95.0%</u>	<u>48,517</u>	<u>86.3%</u>
Total	<u><u>270,293</u></u>	<u><u>100%</u></u>	<u><u>183,429</u></u>	<u><u>100%</u></u>	<u><u>113,786</u></u>	<u><u>100%</u></u>	<u><u>69,112</u></u>	<u><u>100%</u></u>	<u><u>56,240</u></u>	<u><u>100%</u></u>

Our major Group Customers have been mostly well established listed property developers based in Hong Kong during the Track Record Period. The revenue derived from our projects in Hong Kong has been the key component to our overall revenue, which accounted for approximately HK\$240.9 million, HK\$141.0 million, HK\$57.1 million for the three years ended 30 September 2014, representing 89.1%, 76.9% and 50.2% of the overall revenue of our Group for the respective periods. The downward trend of Hong Kong projects was mainly due to (i) the significant drop in overall property sales transaction in Hong Kong since the introduction of policies to cool down the property market in Hong Kong in 2013; and (ii) our strategic allocation of our resources and manpower towards the mix of our PRC projects in 2013 and 2014 in response to the slowdown of Hong Kong property market.

Revenue derived from projects in Hong Kong increased from approximately HK\$27.8 million for the five months ended 28 February 2014 to HK\$46.8 million for the five months ended 28 February 2015, representing approximately 40.3% and 83.3% of our overall revenue for the respective periods. Such significant growth was mainly driven by two DFD projects with an aggregate turnover of approximately HK\$28.9 million. The increase in percentage was mainly attributable to (i) our strategic allocation of manpower and resources towards Hong Kong projects with fit out works, benefiting from the surge of demand for luxury interior design from the spate of launching smaller properties in Hong Kong and (ii) the drop in revenue derived from our PRC projects as a result of completion of a major DFD project in the PRC in 2014 as detailed below.

With increasing numbers of PRC project requests since the year ended 30 September 2013 from (i) our Hong Kong based customers who were developing their businesses in the PRC as well as (ii) our PRC based customers who were attracted by our design and market reputation, our overall revenue derived from projects in the PRC increased gradually from approximately HK\$5.8 million for the year ended 30 September 2012 to approximately HK\$35.4 million for the year ended 30 September 2013 then to approximately HK\$56.1 million for the year ended 30 September 2014. Our revenue generated

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from our PRC market for respective years increased by approximately 510.5% and 58.6% respectively. Such tremendous growth in revenue derived from our PRC project represented by our successful attempt in undertaking a sizeable DFD project for each of the year ended 30 September 2013 and 2014 with a turnover of approximately HK\$33.4 million and HK\$44.4 million respectively. Our Directors believe that such an attempt since 2013 has further enhanced our reputation in the PRC market. For the five months ended 28 February 2014 and 2015, the revenue generated from our PRC projects decreased significantly from approximately HK\$40.7 million to approximately HK\$9.4 million upon the completion of the major PRC DFD project in 2014 which accounted for turnover of approximately HK\$37.8 million and represented approximately 54.7% of our overall revenue for the five months ended 28 February 2014. The percentage of our Group's revenue generated from our PRC projects which were derived from the PRC affiliates of our Hong Kong based customers increased progressively and accounted for approximately 0.7%, 18.2% and 40.2% for the three years ended 30 September 2014. For the five months ended 28 February 2014 and 2015, the percentage of our Group's revenue generated from our PRC projects which were derived from the PRC affiliates of our Hong Kong based customers dropped sharply from 55.6% to nil as a result of the completion of two major DFD projects in the PRC with our Hong Kong based customer for the year ended 30 September 2013 and 2014 respectively. All of our PRC projects for the five months ended 28 February 2015 were engaged by our PRC based customers, which included a Hong Kong listed company.

On the other hand, our revenue derived from our projects located in Macau was approximately HK\$23.6 million, HK\$7.0 million, HK\$0.6 million, HK\$0.6 million and nil for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, representing 8.7%, 3.8%, 0.5%, 0.8% and nil of our overall revenue for the respective periods. The decreasing trend was mainly attributable to the economic slowdown in Macau which has consequently prompted a correction in the property market.

Cost of sales

Our cost of sales comprised (i) subcontracting cost; (ii) material purchase costs; and (iii) direct staff costs. Subcontracting fees represented costs paid to our Group's subcontractors to carry out fit out and drafting works. Material purchase costs mostly represented the purchase costs of materials for fit out projects to decorating materials for decoration projects. Staff costs represented compensation and benefits provided to our staff, such as designers, project managers and foremen of project sites.

The following table sets out the a summary of our costs of sales by nature during the Track Record Period:

	For the year ended 30 September						For the five months ended			
	2012		2013		2014		28 February 2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>									
Subcontracting costs ⁽¹⁾	144,957	71.2%	90,719	64.5%	47,175	67.5%	29,730	74.8%	24,942	70.6%
Material purchase costs	52,930	25.9%	44,518	31.6%	18,903	27.0%	8,487	21.4%	8,922	25.3%
Direct staff costs	5,817	2.9%	5,481	3.9%	3,858	5.5%	1,515	3.8%	1,461	4.1%
Total:	<u>203,704</u>	<u>100%</u>	<u>140,718</u>	<u>100%</u>	<u>69,936</u>	<u>100%</u>	<u>39,732</u>	<u>100%</u>	<u>35,325</u>	<u>100%</u>

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Note:

- Certain material purchase costs were included in the subcontracting fees and they could not be segregated as the terms of subcontracting contracts would sometimes include the provision of materials.

The following table sets out the summary of our costs of sales by types of projects during the Track Record Period:

	For the year ended 30 September						For the five months ended			
	2012		2013		2014		28 February 2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>									
DD	1,084	0.5%	2,975	2.1%	3,945	5.6%	507	1.3%	656	1.9%
DFD	<u>202,620</u>	<u>99.5%</u>	<u>137,743</u>	<u>97.9%</u>	<u>65,991</u>	<u>94.4%</u>	<u>39,225</u>	<u>98.7%</u>	<u>34,669</u>	<u>98.1%</u>
Total:	<u>203,704</u>	<u>100%</u>	<u>140,718</u>	<u>100%</u>	<u>69,936</u>	<u>100%</u>	<u>39,732</u>	<u>100%</u>	<u>35,325</u>	<u>100%</u>

Our cost of sales was approximately HK\$203.7 million, HK\$140.7 million, HK\$69.9 million, HK\$39.7 million and HK\$35.3 million for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015. Our DD projects consist of one or a combination of engagement of our (i) design service and; (ii) decoration service. While the cost of our design service was mainly driven by our direct staff cost and subcontracting cost from drafting, the key driver of the cost of our decoration service was material costs for accessorising our customers' properties upon the completion of fit out work by other contractors engaged by our customers in the projects. Due to the nature of fit out service, our DFD projects incurred significant higher cost in engaging subcontractors, sourcing material supplies as well as our direct staff in overall project management. The overall decreasing trend in our cost of sales was primarily in line with the downward trend of our overall revenue during the Track Record Period. Upon our attempt to undertake sizeable PRC projects with fit out works provided since the year ended 30 September 2013, our Directors believe that our Group had strengthened our ability and connections in sourcing materials and subcontractors with better cost control for the periods onwards.

Gross profit

During the Track Record Period, our gross profit and gross profit margin by type of projects and by geographical locations are set forth as follows:

	For the year ended 30 September						For the five months ended 28 February			
	2012		2013		2014		2014		2015	
	Margin	Margin	Margin	Margin	Margin	Margin	Margin	Margin	Margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>									
DD	7,737	87.7%	2,634	47.0%	8,378	68.0%	2,966	85.4%	7,067	91.5%
DFD	<u>58,852</u>	<u>22.5%</u>	<u>40,077</u>	<u>22.5%</u>	<u>35,472</u>	<u>35.0%</u>	<u>26,414</u>	<u>40.2%</u>	<u>13,848</u>	<u>28.5%</u>
Total:	<u>66,589</u>	<u>24.6%</u>	<u>42,711</u>	<u>23.3%</u>	<u>43,850</u>	<u>38.5%</u>	<u>29,380</u>	<u>42.5%</u>	<u>20,915</u>	<u>37.2%</u>

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	For the year ended 30 September					For the five months ended 28 February				
	2012	Margin	2013	Margin	2014	Margin	2014	Margin	2015	Margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>									
DD										
PRC	3,659	80.2%	1,397	70.3%	7,831	66.8%	2,406	83.7%	7,067	91.5%
Hong Kong	4,078	95.8%	1,237	34.1%	—	—	—	—	—	—
Macau	—	—	—	—	547	91.2%	560	93.3%	—	—
Subtotal	<u>7,737</u>	<u>87.7%</u>	<u>2,634</u>	<u>47.0%</u>	<u>8,378</u>	<u>68.0%</u>	<u>2,966</u>	<u>85.4%</u>	<u>7,067</u>	<u>91.5%</u>
DFD										
PRC	398	32.3%	3,222	9.7%	17,978	40.5%	15,988	42.3%	881	52.4%
Hong Kong	53,809	22.7%	36,574	26.6%	17,494	30.6%	10,426	37.5%	12,967	27.7%
Macau	<u>4,645</u>	<u>19.7%</u>	<u>281</u>	<u>4%</u>	—	—	—	—	—	—
Subtotal	<u>58,852</u>	<u>22.5%</u>	<u>40,077</u>	<u>22.5%</u>	<u>35,472</u>	<u>35.0%</u>	<u>26,414</u>	<u>40.2%</u>	<u>13,848</u>	<u>28.5%</u>
Total:	<u><u>66,589</u></u>	<u><u>24.6%</u></u>	<u><u>42,711</u></u>	<u><u>23.3%</u></u>	<u><u>43,850</u></u>	<u><u>38.5%</u></u>	<u><u>29,380</u></u>	<u><u>42.5%</u></u>	<u><u>20,915</u></u>	<u><u>37.2%</u></u>

The overall gross profit of our Group was mainly driven by our DFD projects which has generally accounted for over 60% of our gross profit during the Track Record Period. Our overall gross profit decreased by approximately 35.9% from approximately HK\$66.6 million for the year ended 30 September 2012 to approximately HK\$42.7 million for the year ended 30 September 2013. Such drop was mainly in line with the overall downward trend of our revenue, where significant drops in gross profit derived from both of our DD and DFD projects were recorded during the year. For the year ended 30 September 2014, our overall gross profit remained stable and improved by approximately 2.7%. While our gross profit derived from our DFD projects continued to drop, the increment of our overall gross profit was mainly driven by the significant growth in gross profit from our DD component as a result of increasing invitations of such type of project from our PRC property developers. For the five months ended 28 February 2014 and 2015, our gross profit decreased from approximately HK\$29.4 million to approximately HK\$20.9 million mainly due to the continuously declining gross profit derived from our DFD component and was in line with the aforementioned reasons of the drop in our revenue.

Although our overall revenue recorded a significant drop during the Track Record Period, the downward trend of our gross profit was relatively mild. We adopt a cost-plus pricing model and when determining the appropriate mark-up, we take into account our customers' acceptable range of service price based on our past dealings with the customer and a number of other factors such as the scale, complexity and specification of the project, our capacity, project duration, the estimated project cost (which mainly includes the direct staff costs, subcontracting costs and material purchase costs), historical fee we received for similar project, the current fee level in the market and the competitive conditions of the contract negotiation stage. With a mix of different portion of our different types of projects as well as geographical expansion strategically in response to the ever changing market

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condition, our Group was able to maintain an overall gross profit margin of over 20% with the highest being 42.5% during the Track Record Period. Our overall gross profit margin amounted to approximately 24.6%, 23.3%, 38.5%, 42.5% and 37.2% for each of the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively.

Our DD and DFD projects have different cost structures, details of which explained in the section headed “Financial Information — Cost of Sales” in this prospectus. Our DD projects generally incurred higher margin than our projects that requires our fit out service as (i) our DD projects involved fewer subcontractors than our DFD projects allowing rooms for higher mark-up in consideration of the quality of our interior design solution services; and (ii) the major cost components of DD projects were our direct staff costs and drafting subcontractors cost, which were common cost components shared among all of our projects, resulting in a relatively lower cost to our DD projects. For the years ended 30 September 2012 and 2013, our Group’s overall gross profit margin dropped from approximately 24.6% to approximately 23.3% which was driven by the drop in profitability of our DD projects during the year. With an increasing number of PRC project invitations during the year ended 30 September 2014, our Group was able to strategically select projects with higher profit margin and market potentials. For the years ended 30 September 2013 and 2014, our Group has improved our gross profit margin from approximately 23.3% to 38.5%. Such improvement was mainly attributable to our increasing profit margin from both types of our projects, where the gross profit margin of our DD project rose from approximately 47.0% to 68.0% and our gross profit margin of our DFD project also rose from approximately 22.5% to 35.0% for the respective years as detailed below. The gross profit margin of our Group for the five months ended 28 February 2015 remained stable with a slight drop.

(i) *Analysis of gross profit margin of DD projects*

Our overall gross profit margin from our DD type of projects generally maintained at over 40% during the Track Record Period. Such margin from DD projects was generally affected by (i) the mix of proportion of our DD services provided to our customers and (ii) the mix of geographical locations of our projects, during the Track Record Period. Our gross profit margin of DD projects was approximately 87.7%, 47.0%, 68.0%, 85.4% and 91.5% for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015. The drop in margin for the year ended 30 September 2013 was mainly attributable to the lower profitability from one project which accounted for a turnover of approximately HK\$2.5 million during the respective period and only decoration service was required. For this project, our Group sourced and arranged the installation of furniture and lighting with a gross profit margin of approximately 26.8% only. For the year ended 30 September 2014, despite the increased number of PRC project invitations due to the popularity of Hong Kong interior designers in the PRC, the relatively lower profit margin compared with other periods of the Track Record Period was mainly attributable to a decoration only project which accounted for a turnover of approximately HK\$2.4 million, representing a gross profit margin of 34.2% only. For the five months ended 28 February 2014 and 2015, the gross profit margin from providing our DD service was approximately 85.4% and 91.5% respectively mainly as a result of the drop in our direct staff cost as we have progressively subcontracted our drafting works to our subcontractors.

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(ii) *Analysis of gross profit margin of DFD projects*

Our gross profit margin of DFD projects was approximately 22.5%, 22.5%, 35.0%, 40.2% and 28.5% for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015 respectively.

An overall improving trend in our gross profit margin of DFD projects for the three years ended 30 September 2014 was mainly attributable to (i) the increasing profitability from our Hong Kong projects, being the major component of our revenue as well as our gross profit over the years; and (ii) a project in the PRC with gross profit margin of approximately 40.5% for the year ended 30 September 2014. Our gross profit margin from providing DFD projects in Hong Kong grew from approximately 22.7% to 26.6% and further up to 30.6% for the respective years, which was mainly attributable to the increasing number of PRC projects invitations which allowed our Group to strategically select projects in Hong Kong with higher profit margin and market potentials. Also, with our increasing PRC project exposures since 2013, including each of our DFD services, our Directors believe that our Group had further improved our gross profit margin by lowering our overall cost of sales since our Group had strengthened our abilities and connections in sourcing from material suppliers and subcontractors with lower costs. Our Directors believe that our gross profit margin from providing DFD services for our PRC projects in general is higher than our Hong Kong projects which is benefited from the increasing willingness to invest in show flats interior design in the PRC and the popularity of Hong Kong interior designers in the PRC. Since the year ended 30 September 2013, our Group demonstrated our attempts in undertaking sizeable DFD projects in the PRC, invited by our Hong Kong based customers developing their businesses in the PRC. Due to the complexity and size of the project in the PRC and our pursuance to perfect our interior design solution services as a showcase for marketing our design capabilities in the PRC, our overall gross margin from providing DFD service from such PRC project was only approximately 9.7% for the year ended 30 September 2013. For the year ended 30 September 2014, upon on our success in increasing our reputation in the PRC, we have improved our gross profit margin by providing DFD services to a PRC project of approximately HK\$18.0 million during the year with a gross margin of approximately 40.5% during the year.

For the five months ended 28 February 2014 and 2015, the overall gross profit margin from providing our DFD services were approximately 40.2% and 28.5%. Such decrease in gross profit margin was mainly attributable to the completion of the abovementioned PRC projects in 2014 and we have then strategically allocated our manpower and resources towards undertaking other DFD projects in Hong Kong in response to the surge in demand for “compact luxury” interior design services, which are luxury interior design services for smaller properties. Our gross margin derived from providing DFD services in Hong Kong decreased from approximately 37.5% to approximately 27.7% during the respective periods since the types of properties of the projects we have been engaged with our corporate clients had shifted from luxurious properties to smaller properties in accordance with the market trend in the overall property markets.

Other revenue and other gains

Our other revenue primarily consisted of other operating income derived from the provision of minor materials and variation works for our customer as an off-contract after-sale service, bank interest income and other sundry income. Our other gains comprised net gain from disposal of property, plant and equipment, being motor vehicles, during the Track Record Period.

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Other operating expense

Our other operating expense primarily consisted of maintenance expense during defect liability period and our expenditure on the provision of minor materials and variation works for our customer as an off-contract after-sale service during the Track Record Period.

Administrative expenses

Our administrative expenses consisted primarily of salaries and benefits, rent and rates and building management fee, traveling expense, entertainment expense, and depreciation expense. The following table sets out the breakdown of our administrative expenses by nature during the Track Record Period:

	For the year ended 30 September			For the five months ended 28 February	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Salaries and benefits	3,615	3,743	5,953	2,490	3,659
Listing expenses	—	—	—	—	3,550
Rent & rate and building management fees	2,878	3,029	3,697	1,596	1,142
Exchange loss	262	104	215	342	775
Depreciation of property, plant and equipment	1,685	1,765	1,760	681	647
Entertainment	2,259	1,599	1,623	864	495
Travelling	1,633	1,128	473	30	36
Legal and professional fee	28	39	44	17	49
Insurance	127	80	91	40	41
Penalty	1,493	1,081	1	1	—
Bad debts written off	1,672	1	110	—	—
Others	2,476	1,913	1,963	758	915
	<u>18,128</u>	<u>14,482</u>	<u>15,930</u>	<u>6,819</u>	<u>11,309</u>

Taxation

Hong Kong Profit Tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period.

Macau complementary tax is levied at progressive rates ranging from 9% to 12% on the taxable income above MOP200,000 but below MOP300,000, and thereafter at a fixed rate of 12%.

A non-PRC entity engages in DFD projects in the PRC would generally be subject to Value-added Tax (“VAT”) and Enterprise Income Tax (“EIT”) in the PRC.

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For activities engaged by our Group, the applicable VAT rate is 6%. It is imposed on top of the service fee charged by our Group to the PRC clients.

EIT shall be computed on taxable income at a rate of 25%. For foreign enterprises having a permanent establishment in the PRC, their taxable profits would be determined by applying a deemed profit rate to its PRC sourced revenue. For the activities engaged by our Group, the deemed profit rate is generally 20% and its effective EIT rate is 5% (i.e. 20% x 25%) on the PRC sourced revenue.

The PRC project revenue of our Group is subject to effective EIT rate at 5% and VAT at 6%, which are generally paid by the PRC customers before remittance to our Group. Our Group only recognised its revenue from the PRC customers based on the contract terms and therefore no PRC VAT and EIT have been reflected in the accounts. Further details of the PRC tax exposure of our Group are set out in the section headed “Regulatory Overview — Regulations on Taxation” in this prospectus.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI during the Track Record Period.

The effective tax rates of our Group were approximately 17.7%, 19.4%, 16.9%, 16.0% and 24.0% for each of the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015, respectively.

Net profit Margin

Our net profit margin was approximately 14.8%, 12.7%, 20.5%, 27.4% and 12.9% for the three years ended 30 September 2014 and the five months ended 28 February 2014 and 2015 respectively. The movement of our net profit margin during the Track Record Period was generally in line with the movement of our gross profit margin during the Track Record Period as explained above due to the change of mix of projects types and geographical location of projects. The significant drop in net profit margin of approximately 14.5% for the five months ended 28 February 2014 and 2015 was mainly attributable to the (i) drop in gross profit margin during the five months ended 28 February 2015; and (ii) the listing expense incurred for the period.

RESULTS OF OPERATION

Five months ended 28 February 2015 compared to five months ended 28 February 2014

Revenue

Our overall revenue dropped by approximately 18.6% from approximately HK\$69.1 million for the five months ended 28 February 2014 to approximately HK\$56.2 million for the five months ended 28 February 2015. Such drop was mainly attributable to the net effect of (i) the sharp decline in our overall revenue derived from our DFD projects; and (ii) the growth in our DD projects due to the continuously increasing number of PRC projects during the year.

For the five months ended 28 February 2014 and 2015, our revenue generated from DFD projects decreased significantly by approximately 26.1% from approximately HK\$65.6 million to approximately HK\$48.5 million which was mainly attributable to the completion of a major PRC project. The revenue from our DFD projects in Hong Kong increased by approximately 68.4% from approximately HK\$27.8 million for the five months ended 28 February 2014 to approximately

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HK\$46.8 million for the five months ended 28 February 2015. The revenue from our DFD projects in the PRC decreased significantly by approximately 95.6% from approximately HK\$37.8 million for the five months ended 28 February 2014 to approximately HK\$1.7 million for the five months ended 28 February 2015. The sharp decrease was due to the completion of a major DFD project in the PRC in 2014, the revenue of which accounted for approximately 54.7% and nil of our Group's overall revenue for the five months ended 28 February 2014 and 2015. Our Group, on the other hand, had therefore strategically allocated more resources and manpower to provide DFD services to our Hong Kong projects during the respective period. Our Directors believed that our Group benefited from the surge in demand for "compact luxury" interior design services, which are luxury interior design services for smaller properties launched by Hong Kong property developers and accordingly our revenue derived from providing DFD services to our Hong Kong projects increased from approximately HK\$27.8 million to HK\$46.8 million for the respective periods.

Our revenue generated from DD projects improved significantly by approximately 122.4% from approximately HK\$3.5 million for the five months ended 28 February 2014 to approximately HK\$7.7 million for the five months ended 28 February 2015. The increase was solely the result of the increasing number of the PRC DD projects as PRC customers tended to engage us for our DD services without requiring our fit out service. No revenue from providing DD services was recognised in Macau or Hong Kong for the five months ended 28 February 2015.

Costs of sales

Our costs of sales decreased slightly by approximately 11.1% from approximately HK\$39.7 million for the five months ended 28 February 2014 to approximately HK\$35.3 million for the five months ended 28 February 2015, which was in line with the drop in overall revenue for the respective period. The subcontracting costs decreased from approximately 74.8% of the total cost of sales for the five months ended 28 February 2014 to approximately 70.6% of the total cost of sales for the five months ended 28 February 2015. The decrease in subcontracting costs was due to the decrease in revenue of the DFD projects for the five months ended 28 February 2015. On the other hand, the material purchase costs increased slightly from approximately 21.4% of the total cost of sales for the five months ended 28 February 2014 to approximately 25.3% of the total cost of sales for the five months ended 28 February 2015. This increase was caused by the increase in revenue of DD projects for the five months ended 28 February 2015. A DD project mainly consists of material purchase costs while a DFD project consists of a mix of subcontracting costs and material purchase costs.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 28.8% from approximately HK\$29.4 million for the five months ended 28 February 2014 to approximately HK\$20.9 million for the five months ended 28 February 2015. Such decrease was mainly attributable to: (i) the drop in our overall revenue; and (ii) the drop in gross profit margin during the period. Our overall gross profit margin experienced a decrease from approximately 42.5% for the five months ended 28 February 2014 to approximately 37.2% for the five months ended 28 February 2015.

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The gross profit margin of DD projects increased from approximately 85.4% for the five months ended 28 February 2014 to approximately 91.5% for the five months ended 28 February 2015 in light of our Group's strengthened ability and connections in sourcing materials and subcontractors with better cost control.

On the other hand, our gross profit margin of DFD project decreased from approximately 40.2% for the five months ended 28 February 2014 to approximately 28.5% for the five months ended 28 February 2015. Such drop was mainly attributable to (i) the sharp decline of gross profit and gross profit margin upon the completion of the major DFD project in the PRC which accounted for a turnover of approximately HK\$37.8 million with a gross profit margin of approximately 42.3% for the five months ended 28 February 2014, (ii) the drop in our gross profit margin derived from Hong Kong projects since we have undertaken smaller property projects in light of the surge of demand of such kind of properties in the property market in Hong Kong, which had relatively lower margins.

Please refer to the section headed "Financial Information — Principal combined statement of profit and loss items — Gross Profit" in this prospectus for further explanations of the fluctuations.

Administrative expenses

Our Group's administrative expenses increased from approximately HK\$6.8 million for the five months ended 28 February 2014 to approximately HK\$11.3 million for the five months ended 28 February 2015. The increase in administrative expenses was mainly attributed to the recognition of Listing expenses of approximately HK\$3.6 million during the period.

Taxation

The effective tax rates for the five months ended 28 February 2014 and 2015 were approximately 16.0% and 24.0% respectively. Such increase was mainly due to the recognition of the Listing expenses of HK\$3.6 million for the five months ended 28 February 2015, which was not deductible for tax purpose.

Year ended 30 September 2014 compared to year ended 30 September 2013

Revenue

Our overall revenue dropped significantly by approximately 38.0% from approximately HK\$183.4 million for the year ended 30 September 2013 to approximately HK\$113.8 million for the year ended 30 September 2014. Such drop was mainly due to the decrease in revenue from our DFD projects despite our revenue derived from our DD projects having doubled up during the year as a result of increasing number of projects in the PRC.

Our revenue generated from DFD projects decreased by approximately 42.9% from approximately HK\$177.8 million for the year ended 30 September 2013 to approximately HK\$101.5 million for the year ended 30 September 2014. Since the introduction of policies to cool down the property market by the Hong Kong Government in 2013, our Group strategically allocated additional resources and manpower towards taking up more PRC projects during the year 2014. Our revenue

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derived from our DFD projects in Hong Kong dropped by approximately 58.5% from approximately HK\$137.4 million for the year ended 30 September 2013 to approximately HK\$57.1 million for the year ended 30 September 2014. On the other hand, with additional manpower and resources allocated to our PRC projects, our revenue generated from our DFD projects in the PRC increased by approximately 32.9% from approximately HK\$33.4 million for year ended 30 September 2013 to approximately HK\$44.4 million for year ended 30 September 2014, which was contributed by a major project in the PRC. On top of our experience in handling a sizeable DFD project in the PRC in the previous year, we have further taken up another sizeable DFD project in the PRC as requested by our corporate client, being a Hong Kong based property developer. Such project accounted for approximately HK\$44.4 million for the year ended 30 September 2014, representing approximately 39.0% of our overall revenue for the respective year.

Our revenue from our DD projects improved significantly by approximately 119.7% from approximately HK\$5.6 million for the year ended 30 September 2013 to approximately HK\$12.3 million for the year ended 30 September 2014. In light of the increasing number of project invitations from PRC property developers, our growth in revenue from DD projects was mainly driven by the growth from our PRC projects, as our PRC based customers tended to engage our interior design solution services without requiring our fit out service. On the other hand, our revenue generated from our DD projects in Hong Kong and Macau became immaterial, which were nil and approximately HK\$0.6 million for the respective period as a result of (i) the slowdown in the economy in both regions; (ii) more resources and manpower of our Group was allocated during the year to develop the PRC market.

Costs of sales

Our costs of sales decreased significantly by approximately 50.3% from approximately HK\$140.7 million for the year ended 30 September 2013 to approximately HK\$69.9 million for the year ended 30 September 2014. The downward trend of cost of sales was essentially in line with the significant drop in overall revenue for the respective year as well as our improvement in lowering our overall project costs. By leveraging on our experience in our attempt to provide DFD service on a sizeable project in the PRC in the previous year, we have strengthened our ability and connections in material sourcing and subcontracting in the PRC with lower costs. Given those projects that required our fit out services usually incurred higher subcontracting and material costs as compared to our DD services, our Directors believe that the increasing number of projects requiring our DD services had further lowered our cost of sales for the year ended 30 September 2014.

Gross profit and gross profit margin

Despite the significant drop in our overall revenue by approximately 38.0% for the year ended 30 September 2014, our gross profit remained stable and increased slightly by approximately 2.7% from approximately HK\$42.7 million for the year ended 30 September 2013 to approximately HK\$43.9 million for the year ended 30 September 2014 as result of our increasing number of projects in the PRC and the improvement of our overall gross profit margin from approximately 23.3% for the year ended 30 September 2013 to 38.5% for the year ended 30 September 2014. The growth in gross profit margin was mainly attributable to: (i) increasing profitability from our DFD projects in Hong Kong from approximately 26.6% for the year ended 30 September 2013 to approximately 30.6% for the year ended 30 September 2014 due to our selection of projects with higher gross profit margin and

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market potentials; (ii) increasing profitability from our DFD projects in the PRC from approximately 9.7% for the year ended 30 September 2013 to approximately 40.5% for the year ended 30 September 2014 due to our improvement in cost control for PRC project; and (iii) the increased portion of revenue derived from our more profitable DD projects from approximately 3.1% for the year ended 30 September 2013 to approximately 10.8% for the year ended 30 September 2014 as a result of an increasing number of PRC DD projects engaged by our PRC developer customers.

Please refer to the section headed “Financial Information — Principal combined statement of profit and loss items — Gross Profit” in this prospectus for further explanations of the fluctuations.

Administrative expenses

Our Group’s administrative expenses remained stable and increased slightly from approximately HK\$14.5 million for the year ended 30 September 2013 to approximately HK\$15.9 million for the year ended 30 September 2014. Such increase was mainly attributable to the increase in salaries and benefit from approximately HK\$3.7 million for the year ended 30 September 2013 to approximately HK\$6.0 million for the year ended 30 September 2014 mainly due to the increase in our directors’ remunerations.

Taxation

The effective tax rates for the years ended 30 September 2013 and 2014 were approximately 19.4% and 16.9% respectively. The effective tax rate for the year ended 30 September 2014 was approximate to the statutory profits tax rate in Hong Kong of 16.5%.

Year ended 30 September 2013 compared to year ended 30 September 2012

Revenue

Our overall revenue dropped significantly by approximately 32.1% from approximately HK\$270.3 million for the year ended 30 September 2012 to approximately HK\$183.4 million for the year ended 30 September 2013. Such drop was mainly attributable to the net effect of (i) the decrease in revenue from Hong Kong projects during the slowdown in overall sales transaction for domestic property market in Hong Kong; and (ii) the allocation of our manpower and resources to undertake a sizeable DFD project in the PRC.

The drop in overall revenue was mainly due to the drop in revenue from DFD projects. Our revenue generated from our DFD projects decreased by approximately 32.0% from approximately HK\$261.5 million for the year ended 30 September 2012 to approximately HK\$177.8 million for the year ended 30 September 2013. During the slowdown of property market in Hong Kong, we have strategically made an attempt to undertake a sizeable DFD project in the PRC for one of our customers based in Hong Kong. As more manpower and resources were allocated towards such project in the PRC, revenue from our DD services in the PRC also recorded a decline during the year.

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Cost of Sales

Our costs of sales decreased significantly by approximately 30.9% from approximately HK\$203.7 million for the year ended 30 September 2012 to approximately HK\$140.7 million for the year ended 30 September 2013, which was in line with the drop in overall revenue for the respective period.

Gross profit and gross profit margin

As a result of the drop in our revenue by approximately 32.1% and a drop of approximately 1.3% in gross profit margin, our gross profit decreased by approximately 35.9% from approximately HK\$66.6 million for the year ended 30 September 2012 to approximately HK\$42.7 million for the year ended 30 September 2013. During the year, our gross profit margin from providing DFD services remained stable as a result of net off effect of (i) improving profitability of our DFD project in Hong Kong; (ii) our attempt in undertaking a sizeable DFD project in the PRC with a relatively low profit margin; and (iii) the slowdown in our Macau projects. Our gross profit margin for our DD service, however, has dropped from approximately 87.7% for the year ended 30 September 2012 to 47.0% for the year ended 30 September 2013. The drop in our gross profit margin of such type of projects was mainly attributable to a relatively lower margin project, where only our decoration service was provided with a gross profit margin of approximately 26.8%.

Please refer to the section headed “Financial Information — Principal combined statement of profit and Loss items — Gross Profit” in this prospectus for further explanations of the fluctuations.

Administrative expenses

Our Group’s administrative expenses decreased from approximately HK\$18.1 million for the year ended 30 September 2012 to approximately HK\$14.5 million for the year ended 30 September 2013. Such decrease was mainly attributable to (i) the drop in bad debts written off; (ii) the decrease in travelling and entertainment expense from approximately HK\$3.9 million for the year ended 30 September 2012 to approximately HK\$2.7 million for the year ended 30 September 2013.

Taxation

The effective tax rates for the years ended 30 September 2012 and 2013 were approximately 17.7% and 19.4% respectively. The effective tax rate for the year ended 30 September 2013 increased and was higher than the statutory profits tax rate in Hong Kong of 16.5% due to the tax losses made by our loss making subsidiary were not yet recognised and such tax losses accounted for a higher percentage of our profit before taxation for the year ended 30 September 2013.

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LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital and other capital requirements principally from cash generated from operations;

The following table sets forth the cash flows for the periods indicated:

	For the year ended 30 September			For the five months ended 28 February	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Cash and cash equivalents at the beginning of year/period	43,923	59,280	53,408	53,408	34,360
Net cash generated from operating activities	53,275	52,274	2,936	1,144	2,931
Net cash (used in)/generated from investing activities	(3,080)	(287)	(311)	(365)	183
Net cash (used in)/generated from financing activities	(34,576)	(57,755)	(21,458)	(8,228)	1,625
Net increase/(decrease) in cash and cash equivalents	15,619	(5,768)	(18,833)	(7,449)	4,739
Effect of exchange rate changes	(262)	(104)	(215)	(342)	(775)
Cash and cash equivalents at the end of year/period	59,280	53,408	34,360	45,617	38,324

Net cash flows generated from operating activities

Our Group mainly derives our cash flow from operating activities from the receipt of payment from our provision of services. Our Group's cash outflow from operating activities are principally the payment for subcontractors and material sourcing.

For the year ended 30 September 2012, we generated net cash from operating activities of approximately HK\$53.3 million while our profit before income tax was approximately HK\$48.7 million. The difference was primarily in relation to the net inflow resulted from the effect of (i) increase in trades payable by approximately HK\$8.9 million and increase in amounts due to customers for contract work of approximately HK\$9.1 million and (ii) the payment of Hong Kong tax of approximately HK\$5.9 million.

For the year ended 30 September 2013, we generated net cash from operating activities of approximately HK\$52.3 million while our profit before income tax was approximately HK\$28.9 million. The difference was mainly attributable to (i) the cash inflow from the increase in accrued expenses and other payable of approximately HK\$32.1 million primarily being deposits received for three contracts; and (ii) the decrease in trade payables of approximately HK\$11.0 million.

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For the year ended 30 September 2014, we generated net cash from operating activities of approximately HK\$2.9 million while our profit before income tax has approximately HK\$28.1 million. The difference was mainly attributable to the decrease in accrued expenses and other payables of approximately HK\$29.2 million.

For the five months ended 28 February 2014, we generated net cash from operating activities of approximately HK\$1.1 million while our profit before income tax was approximately HK\$22.6 million. The difference was mainly attributable to the decrease in accrued expenses and other payables of approximately HK\$23.5 million.

For the five months ended 28 February 2015, we generated net cash from operating activities of approximately HK\$2.9 million while our profit before income tax was approximately HK\$9.5 million. The difference was mainly attributable to the cash outflow generated from the increase in trade receivables of approximately HK\$3.4 million and increase in deposits, prepayments and other receivables of approximately HK\$3.9 million.

Please refer to the section headed “Financial Information — Analysis of various items from the combined statements of financial position” in this prospectus for explanations of fluctuations of items mentioned above.

Net cash flows generated from or used in investing activities

For the year ended 30 September 2012, we had net cash flow used in investing activities of approximately HK\$3.1 million, which was mainly attributable to the net effect of the purchase and disposal of a motor vehicle of approximately HK\$3.2 million.

For the year ended 30 September 2013, we had net cash flow used in investing activities of approximately HK\$0.3 million, which was mainly attributable to the purchase of office equipment.

For the year ended 30 September 2014, we had net cash flow used in investing activities of approximately HK\$0.3 million, which was mainly attributable to the purchase of motor vehicles of approximately HK\$0.6 million and proceed from disposal of a motor vehicle of approximately HK\$0.2 million.

For the five months ended 28 February 2014, we had net cash flow used in investing activities of approximately HK\$0.4 million, which was mainly attributable to the purchase of motor vehicles of approximately HK\$0.6 million and proceed from disposal of a motor vehicle of approximately HK\$0.2 million.

For the five months ended 28 February 2015, we had net cash flow generated from investing activities of approximately HK\$0.2 million, which was mainly attributable to the proceeds from disposal of a motor vehicle.

Net cash flows generated from or used in financing activities

For the year ended 30 September 2012, we had net cash flow used in financing activities of approximately HK\$34.6 million, which represented an increase in amount due from a shareholder of approximately HK\$34.6 million.

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For the year ended 30 September 2013, we had net cash flow used in financing activities of approximately HK\$57.8 million, which was mainly attributable to an increase in amount due from a shareholder of approximately HK\$56.5 million.

For the year ended 30 September 2014, we had net cash flow used in financing activities of approximately HK\$21.5 million, which has mainly attributable to an increase in amount due from a shareholder of approximately HK\$20.5 million.

For the five months ended 28 February 2014, we had net cash flow used in financing activities of approximately HK\$8.2 million, which represented an increase in amount due from a shareholder of approximately HK\$8.2 million.

For the five months ended 28 February 2015, we had net cash flow generated from financing activities of approximately HK\$1.6 million, which represented mainly a decrease in amount due from a shareholder of approximately HK\$1.8 million.

Net Current Assets

The following table sets out our current assets, current liabilities and net current assets as at 30 September 2012, 2013, 2014, 28 February 2015 and 30 June 2015:

	As at 30 September			As at	As at
	2012	2013	2014	28 February	30 June
	HK\$'000	HK\$'000	HK\$'000	2015	2015
				HK\$'000	HK\$'000
					<i>(Unaudited)</i>
Current assets					
Trade receivables	19,180	13,037	6,677	10,119	16,765
Amounts due from customers for contract work	3,652	1,827	118	324	507
Deposits, prepayments and other receivables	5,505	3,963	1,201	5,136	5,720
Amount due from a shareholder	16,628	20,383	38,851	—	—
Cash and bank balances	<u>59,280</u>	<u>53,408</u>	<u>34,360</u>	<u>38,324</u>	<u>44,047</u>
	<u>104,245</u>	<u>92,618</u>	<u>81,207</u>	<u>53,903</u>	<u>67,039</u>
Current liabilities					
Trade payables	19,559	8,538	6,622	7,057	8,009
Amounts due to customers for contract work	9,098	1,806	807	—	7,261
Accrued expenses and other payables	3,889	35,967	6,765	6,953	4,975
Amount due to a non-controlling shareholder	126	126	126	—	—
Income tax payable	<u>16,162</u>	<u>20,073</u>	<u>19,219</u>	<u>21,510</u>	<u>23,203</u>
	<u>48,834</u>	<u>66,510</u>	<u>33,539</u>	<u>35,520</u>	<u>43,448</u>
Net current assets	<u>55,411</u>	<u>26,108</u>	<u>47,668</u>	<u>18,383</u>	<u>23,591</u>

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Our net current assets significantly decreased from approximately HK\$55.4 million as at 30 September 2012 to approximately HK\$26.1 million as at 30 September 2013. Such drop was mainly attributable to the net effect of (i) the declaration of dividend of approximately HK\$54.0 million for the year ended 30 September 2013; and (ii) the net profit for the year ended 30 September 2013 of approximately HK\$23.3 million.

Our net current assets increased from approximately HK\$26.1 million as at 30 September 2013 to approximately HK\$47.7 million as at 30 September 2014. The increase was mainly due to the net effect of (i) the net profit of approximately HK\$23.4 million for the year ended 30 September 2014; and (ii) the declaration of dividend of approximately HK\$3.0 million for the year ended 30 September 2014.

Our net current assets decreased from approximately HK\$47.7 million as at 30 September 2014 to approximately HK\$18.4 million as at 28 February 2015. Such drop was mainly due to the net effect of (i) the declaration of dividend of approximately HK\$37.1 million for the five months ended 28 February 2015; and (ii) the net profit of approximately HK\$7.2 million for the five months ended 28 February 2015.

Our net current assets increased from approximately HK\$18.4 million as at 28 February 2015 to approximately HK\$23.6 million as at 30 June 2015. Such increase was mainly attributable to the net profit during the four months.

ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consisted of (i) motor vehicles, (ii) office equipment, and (iii) furniture and fixtures. Net of depreciation, the carrying amount of plant and equipment was approximately HK\$5.4 million, HK\$4.0 million, HK\$2.8 million and HK\$2.3 million as at 30 September 2012, 2013 and 2014 and 28 February 2015 respectively. The decrease in amount of property, plant and equipment was mainly as a result from the disposal of motor vehicles and depreciation expenses recorded during the Track Record Period.

Trade receivables

The following table set forth the amount of trade receivables as at 30 September 2012, 2013 and 2014 and 28 February 2015:

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Trade receivables	19,180	13,037	6,677	10,119

Our Group has a downward trend in the amount of trade receivables over the three years ended 30 September 2014, which was generally in line with our decreasing revenue during the respective years. Our Group's business is project-based of which our trade receivable is subject to the progress

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and number of the projects as of the reporting date. An increased amount of trade receivables, approximately HK\$10.1 million as at 28 February 2015 was mainly resulted from the increased number of PRC projects which were completed during the respective periods. We usually allow our PRC projects with longer credit period due to the size and foreign currency control in the PRC.

Our Group's trading term with our customers is, in general, 7 to 45 days. Our Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of the trade receivables at the end of each of the reporting dates, based on the invoice date, is as follows:

	As at 30 September			As at
	2012	2013	2014	28 February 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	13,422	6,440	6	5,363
31 — 60 days	3,227	1,689	3,232	515
61 — 90 days	—	2,836	385	756
Over 90 days	<u>2,531</u>	<u>2,072</u>	<u>3,054</u>	<u>3,485</u>
	<u>19,180</u>	<u>13,037</u>	<u>6,677</u>	<u>10,119</u>

With reference to the above table, approximately 86.8%, 84.1%, 54.3% and 65.6% of total trade receivables of our Group were within 90 days as at 30 September 2012, 2013 and 2014 and 28 February 2015 respectively. Approximately HK\$3.5 million of our trade receivable was aged over 90 days as at 28 February 2015. We had reviewed the credit quality of each receivable balance, the amount involved are immaterial and we do not foresee any material collection problem on these overdue balances and the amounts are still considered recoverable. Approximately 82.0% of the trade receivables as at 28 February 2015 were subsequently settled up to 30 June 2015. By reference to the subsequent settlement record as at 30 June 2015, approximately 50% (i.e. being approximately 17% of total receivable) with overdue over 90 days has been settled and approximately 35% (i.e. being approximately 12% of total receivable) of the overdue was outstanding due to ongoing contracts that are yet to be completed which are expected to be recoverable upon completion. The remaining 15% (i.e. being approximately 5% of total receivables) was overdue by one customer with long-term business relationship and no credit risk was noted from the past record. Moreover, our overdue over 90 days receivables mainly involved our PRC projects, project duration of which and the transmitting of money from the PRC to Hong Kong usually take longer time as compared with our Hong Kong projects. Therefore, our management evaluated that no provision was required for the period ended 28 February 2015.

In determining the recoverability of trade receivables, our Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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Our Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. Our management closely reviews the trade receivables balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances. For the three years ended 30 September 2014 and the five months ended 28 February 2015, bad debts of approximately HK\$1.7 million, HK\$1,000, HK\$0.1 million and nil was written off respectively.

The ageing analysis of trade receivables that are past due but not impaired is as follows:

	As at 30 September			As at
	2012	2013	2014	28 February
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due but not impaired				
Less than 1 month past due	3,227	1,689	3,232	515
1 to 3 months past due	1,158	4,656	2,330	2,215
Over 3 months past due	<u>1,373</u>	<u>252</u>	<u>1,109</u>	<u>2,026</u>
	<u>5,758</u>	<u>6,597</u>	<u>6,671</u>	<u>4,756</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with our Group. Our management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. Our Group does not hold any collateral over those balances.

The following table sets forth the turnover days of trade receivables (calculated as the average of beginning and ending total trade receivables for the period divided by revenue for the period and multiplied by the number of days in the period) for the financial period indicated:

	For the year ended			For the five
	30 September			months
	2012	2013	2014	ended 28
				February
				2015
Trade receivables turnover days	<u>25.3 days</u>	<u>32.1 days</u>	<u>31.6 days</u>	<u>22.5 days</u>

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During the Track Record Period, our Group generally had a relatively short period of turnover days with an average of trade receivables turnover days of approximately one month. Our trade receivables turnover days increased from approximately 25.3 days for the year ended 30 September 2012 to approximately 32.1 days for the year ended 30 September 2013 and remained stable at approximately 31.6 days for the year ended 30 September 2014 primarily because of the longer credit terms given to our customer in respect of those PRC projects requiring our fit out services during the respective years. For the five months ended 28 February 2015, our trade receivables turnover days dropped as a result of the reduction of such type of projects in the PRC.

Amounts due from/to customers for contract work

Generally, our Group can normally make reliable estimates of the outcome of a construction contract when:

- 1) our Group has entered into a contract that sets out:
 - a. each party's enforceable rights regarding the contract work;
 - b. the consideration to be received; and
 - c. the manner and terms of settlement;
- 2) the contract costs attributable to the contract can be clearly identified and measured reliably; and
- 3) the contract costs to complete the contract and the stage of contract completion can be measured reliably at the end of the financial period.

Where the outcome of a construction contract in relation to provision of DFD services can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work.

The following table sets forth the amounts due from/to customers for contract work during the Track Record Period:

	As at 30 September			As at
	2012	2013	2014	28 February
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from customers for contract work	3,652	1,827	118	324
Amounts due to customers for contract work	(9,098)	(1,806)	(807)	—

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All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

Deposits, prepayments and other receivables

The following table sets out the breakdown of deposits, prepayments and other receivables as at each reporting date:

	As at 30 September			As at
	2012	2013	2014	28 February
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	161	177	182	346
Prepayments	839	2,926	117	1,370
Other receivables	557	—	—	76
Retention receivables	<u>3,948</u>	<u>860</u>	<u>902</u>	<u>3,344</u>
	<u>5,505</u>	<u>3,963</u>	<u>1,201</u>	<u>5,136</u>

During the Track Record Period, deposits and prepayment mainly represented rental deposits and prepayment, utilities deposits, prepayment for materials and prepaid insurance. Retention receivables represented a portion of the contract value of our projects, being an approximately 5% to 10%, withheld by our customers as retention money.

The drop in deposits, prepayment and other receivables as at 30 September 2013 was mainly attributable to (i) the decrease in retention receivables by approximately HK\$3.1 million, which was in line with the drop in our revenue and (ii) a rise in prepayment of materials of HK\$2.8 million for two DFD projects which were awarded but not commenced as at 30 September 2013.

Our deposits, prepayment and other receivable dropped significantly as at 30 September 2014 which was mainly due to the drop in prepayment of materials.

The increase in the deposits, prepayment and other receivables as at 28 February 2015 was mainly due to (i) the increase in prepayment of Listing expenses; and (ii) increase in retention receivables due to retention money due upon the completion of major DFD projects.

Amount due from a shareholder

	As at 30 September			As at
	2012	2013	2014	28 February
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Leong Hing Loong Rudoff	<u>16,628</u>	<u>20,383</u>	<u>38,851</u>	<u>—</u>

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The amount due from a shareholder represented the amount advanced to Mr. Leong and is unsecured, interest-free and recoverable on demand at the end of each year in the Track Record Period.

All the outstanding balances of the amount due from Mr. Leong has been fully settled by way of declaration of dividend during the five months ended 28 February 2015.

Trade payables

Trade payables principally comprised payables to (i) the suppliers of materials; and (ii) the subcontractors of our Group. The following table sets out our trade payable as at each reporting date:

	As at 30 September			As at
	2012	2013	2014	28 February
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i> <i>HK\$'000</i>
Trade payables	<u>19,559</u>	<u>8,538</u>	<u>6,622</u>	<u>7,057</u>

Trade payables was approximately HK\$19.6 million, HK\$8.5 million, HK\$6.6 million and HK\$7.1 million as at 30 September 2012, 2013 and 2014 and 28 February 2015. Due to the nature of our fit out works where we paid our suppliers upon collecting payments from our clients, the downward trend of our trade payable as at 30 September 2013 and 2014 was generally in line with the decrease in revenue generated from DFD projects during the Track Record Period. The trade payables as at 28 February 2015 recorded a slight increase, which was in line with the increase in trade receivable as a result of increased number of PRC projects being awarded during the period.

The following is an ageing analysis of trade payables at the end of each reporting period:

	As at 30 September			As at
	2012	2013	2014	28 February
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i> <i>HK\$'000</i>
Current to 30 days	11,459	2,086	1,027	2,168
31 — 60 days	5,501	2,900	256	247
61 — 90 days	156	2,578	355	1,186
Over 90 days	<u>2,443</u>	<u>974</u>	<u>4,984</u>	<u>3,456</u>
	<u>19,559</u>	<u>8,538</u>	<u>6,622</u>	<u>7,057</u>

Our credit period on purchases of certain goods and services is generally within 7 to 90 days.

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The following table sets out the turnover days of trade payables (calculated as the average of beginning and ending trade payables balances for the period, divided by cost of sales, for the period, multiplied by the number of days in the period for the financial period indicated):

	For the five months ended 28 February			
For the year ended 30 September	2012	2013	2014	2015
Trade payables turnover days	<u>27.1 days</u>	<u>36.4 days</u>	<u>39.6 days</u>	<u>29.2 days</u>

Our Group has an upward trend of trade payables turnover days for the three years ended 30 September 2014 due to increasing revenue of our DFD project in the PRC. The credit terms of such service in the PRC is usually longer due to size and foreign exchange control in the PRC. The trade payables turnover days dropped for the five months ended 28 February 2015 as a result of the reduction of such type of projects.

Approximately 76.5% of the accounts payable as at 28 February 2015 were subsequently settled up to 30 June 2015.

Accrued expenses and other payables

	As at 30 September			As at 28 February
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Receipts in advance	—	30,120	—	1,973
Other payables	—	883	—	—
Accrued expenses	<u>3,889</u>	<u>4,964</u>	<u>6,765</u>	<u>4,980</u>
	<u>3,889</u>	<u>35,967</u>	<u>6,765</u>	<u>6,953</u>

As at 30 September 2012, 2013, 2014 and 28 February 2015, accrued expense and other payables amounted to approximately HK\$3.9 million, HK\$36.0 million, HK\$6.8 million and HK\$7.0 million respectively.

Our receipts in advance mainly consist of deposits received from our customers for the awarded contracts before such deposits were subsequently recognised as our project income. Our revenue is recognised according to the stage of project completion which is by reference to our contract costs incurred for work performed to date bear to the estimated total contract cost. Details of this accounting treatment are set out in the section headed “Financial Information — Critical Accounting Policies And Estimates — Construction Contracts” in this prospectus. The amount of receipts in advance of

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approximately HK\$30.1 million and HK\$2.0 million as at 30 September 2013 and 28 February 2015 represented the deposits from our DFD projects of which we had yet to source materials and subcontractors as at year ended dates. All such deposits received in advance were subsequently recognised as our project income according to the respective stage completion.

The accrued expenses mainly comprised of provision for Hong Kong and Macau tax penalties for the three years ended 30 September 2014; and audit fee for the five months ended 28 February 2015. Please refer to the section headed “Business — Legal Compliance and Risk Management” in this prospectus for details on the reason for making the provisions.

Income tax payable

The income tax payable mainly represented our tax liability and provision for tax unpaid in Hong Kong and to a lesser extent in Macau. A subsidiary of our Group has failed to inform its chargeability to tax in Hong Kong and certain subsidiaries of our Group has been late in respect of tax filing in Macau. For details, please refer to the section headed “Business — Legal Compliance and Risk Management” in this prospectus.

During the Track Record Period, LCL Design and LCL Ltd. provided integrated interior design solutions to some Macau projects. There were late tax filings for the years 2012 and 2013 in respect of LCL Design, and LCL Ltd. in Macau, a tax provision of approximately HK\$0.2 million has been recognised for the year ended 30 September 2012.

Tax provision of approximately HK\$13.1 million has been made for Crystal Sky up to the end of the Track Record Period, with approximately HK\$4.1 million and HK\$3.1 million recognised for the years ended 30 September 2012 and 2013 respectively.

SELECTED KEY FINANCIAL RATIOS

	For the year ended 30 September			For the five months ended 28 February
	2012	2013	2014	2015
Current ratio ¹	2.1 times	1.4 times	2.4 times	1.5 times
Quick ratio ²	2.1 times	1.4 times	2.4 times	1.5 times
Gearing ratio ³	N/A	N/A	N/A	N/A
Debt to equity ratio ⁴	N/A	N/A	N/A	N/A
Interest coverage ⁵	N/A	N/A	N/A	N/A
Return on total assets ⁶	36.6%	24.1%	27.8%	12.9%
Return on equity ⁷	65.9%	77.4%	46.2%	35.1%
Net profit margin ⁸	14.8%	12.7%	20.5%	12.9%

Notes:

- Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective period end.
- Quick ratio is calculated based on the total current assets less inventories and divided by total current liabilities as at the respective period end.

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3. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective period end and multiplied by 100%. Our Group did not have any bank borrowings during the Track Record Period, hence no gearing ratio is formulated for our Group for the three years ended 30 September 2014 and the five months ended 28 February 2015.
4. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective period end and multiplied by 100%. Our Group did not have any borrowings during the Track Record Period, hence no debt to equity ratio is formulated for our Group for the three years ended 30 September 2014 and the five months ended 28 February 2015.
5. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective period. Our Group did not have any borrowings during the Track Record Period, hence no interest coverage is formulated for the three years ended 30 September 2014 and the five months ended 28 February 2015.
6. Return on total assets is calculated by the net profit for the period divided by the total assets as at the respective period end and multiplied by 100%.
7. Return on equity is calculated by the net profit for the period divided by the total equity as at the respective period end and multiplied by 100%.
8. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective period and multiplied by 100%.

Please refer to the paragraphs headed “Five months ended 28 February 2015 compared to five months ended 28 February 2014”; “Year ended 30 September 2014 compared to year ended 30 September 2013” and “Year ended 30 September 2013 compared to year ended 30 September 2012” under this section for a discussion on factors affecting revenue growth, net profit growth, gross profit margin and net profit margin during the respective periods.

Current ratio

Our current ratio decreased from approximately 2.1 times as at 30 September 2012 to approximately 1.4 times as at 30 September 2013. Such decrease was primarily attributable to the declaration of dividend of approximately HK\$54.0 million during the year ended 30 September 2013, which was much higher than the net profit for the year of approximately HK\$23.3 million. Our current ratio improved to approximately 2.4 times as at 30 September 2014. Such improvement was due to the net profit recognised for the year ended 30 September 2014, which strengthened our liquidity. As at 28 February 2015, our current ratio dropped to approximately 1.5 times due to the declaration of dividend of approximately HK\$37.1 million for the five months ended 28 February 2015, which was much higher than the net profit for the period of approximately HK\$7.2 million. Our Group has been striving to maintain adequate liquidity and working capital position to cope with our operation needs for our projects, and we believe that the current ratio of our Group has been maintained at a healthy level during the Track Record Period.

Quick ratio

Our quick ratios during the Track Record Period were the same as the current ratios since our Group did not hold any stocks.

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Gearing ratio, debt to equity ratio and interest coverage

Our gearing ratio, debt to equity ratio and interest coverage was nil as at 30 September 2012, 2013 and 2014 and 28 February 2015 respectively as our Group did not incur any borrowing as of the respective period ends.

Return on total assets

Our return on total assets was approximately 36.6%, 24.1%, 27.8% and 12.9% for the year ended 30 September 2012, 2013 and 2014 and the five months ended 28 February 2015 respectively. Further details on our financial performance are set out in the section headed “Financial Information — Results of Operation” in this prospectus. The return on total assets decreased for the year ended 30 September 2013, which was due to the percentage decrease in net profit (approximately 41.8%) being larger than the percentage decrease in total assets (approximately 11.8%) for the year ended 30 September 2013. For the year ended 30 September 2014, the return on total assets showed an increase since the total assets recorded a decrease while the net profit remained similar compared with the year ended 30 September 2013. The substantial decrease in return on total asset for the five months ended 28 February 2015 was mainly due to increase in listing expenses as well as decrease in net profit during the period. Besides, only the results of operation in the five months of the operations are taken into account and therefore the return on total assets for the five months ended 28 February 2015 is significantly lower than the same ratio for the year ended 30 September 2014.

Return on equity

Our return on equity was approximately 65.9%, 77.4%, 46.2% and 35.1% for the year ended 30 September 2012, 2013 and 2014 and the five months ended 28 February 2015. While the net profit dropped for the year ended 30 September 2013, the return on equity recorded an increase to approximately 77.4% due to the drop in equity of approximately 50.4% for the year as a result of the declaration of dividend of approximately HK\$54.0 million. Despite the net profit for the year remained stable, the return on equity decreased to approximately 46.2% for the year ended 30 September 2014 as a result of the increase in total equity which was primarily due to the net profit recorded for the year. The substantial decrease in return on equity for the five months ended 28 February 2015 was mainly due to increase in listing expenses as well as decrease in net profit during the period. Besides, only the results of operation in the five months of the operations are taken into account and therefore the return on equity for the five months ended 28 February 2015 is significantly lower than the same ratio for the year ended 30 September 2014.

LISTING EXPENSES

Based on the Offer Price of HK\$0.925 (being the mid point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Share Offer are approximately HK\$23.4 million, of which HK\$3.6 million has been charged to our combined statement of profit or loss and other comprehensive income for the five months ended 28 February 2015, and approximately

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HK\$10.5 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the remaining months of the year ending 30 September 2015 and approximately HK\$9.3 million is expected to be capitalised as deferred expenses and charged against equity upon the Share Offer under the relevant accounting standards.

INDEBTEDNESS

At the close of business on 30 June 2015, being the latest practicable date for ascertaining certain information contained in this indebtedness statement prior to printing of this prospectus, our Group did not hold any outstanding bank loans.

Save as disclosed herein, and apart from any intra-group liabilities, we did not, as at 30 June 2015, have any outstanding loan capital, borrowings (including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, finance lease commitments and other guarantees), mortgages or charges and other similar indebtedness and contingent liabilities. Our Directors confirm that there have been no material adverse changes in our indebtedness and contingent liabilities since 30 June 2015 up to the date of this prospectus.

CAPITAL EXPENDITURE AND COMMITMENTS

Our capital expenditure primarily comprised of purchase of property, plant and equipment, such as office equipment, furniture and fixtures and motor vehicles. Our capital expenditure was funded by internal resources during the Track Record Period. The following table sets forth our Group's capital expenditure during the Track Record Period:

	As at 30 September		As at 28 February	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	4,960	403	586	67

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

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CONTRACTUAL COMMITMENTS

Our Group as lessee

At the end of each of the Track Record Period, our Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September			As at 28 February	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Within one year	2,637	4,316	4,284	4,676	1,871
In the second to fifth years inclusive	<u>12</u>	<u>3,744</u>	<u>180</u>	<u>1,761</u>	<u>—</u>
	<u>2,649</u>	<u>8,060</u>	<u>4,464</u>	<u>6,437</u>	<u>1,871</u>

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group renewed a tenancy agreement with a future minimum lease payment under non-cancellable operating lease of approximately HK\$496,000 within one year and approximately HK\$496,000 in the second to fifth years inclusive.

Our Group entered into commercial leases on certain land, offices buildings and directors' quarters. These leases have an average life of 2 years. None of the leases include contingent rentals. Operating lease payments represent rental payable by our Group for its directors' quarters, offices and car park. Lease is negotiated for a term of 2 years.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group did not have any material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual commitments set forth above, our Group has not entered into any off-balance sheet transactions or arrangements as at Latest Practicable Date.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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Financial risk management

Our Group is exposed to interest rate risk, foreign exchange risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in the paragraph headed “Notes to financial information — Financial risk management objectives and policies” in Appendix I to this prospectus.

DIVIDEND POLICY

For the three years ended 30 September 2014 and the five months ended 28 February 2015, members of our Group declared dividends of approximately HK\$15.0 million, HK\$54.0 million, HK\$3.0 million and HK\$37.1 million, representing approximately 37.4%, 231.4%, 12.8% and 512.8% of the respective period’s profit and total comprehensive income attributable to owners of the parent. Other than the dividend of approximately HK\$1.3 million and approximately HK\$1.0 million which were paid to the non-controlling interest Shareholders for the year ended 30 September 2013 and 2014 respectively, all the dividends paid by our Group were paid to our Controlling Shareholders. The dividends to the non-controlling interest Shareholders were paid in June 2013 and August 2014 by cash and financed by the internal resource of our Group respectively. The declared dividends to our Controlling Shareholders were settled in September 2012, June 2013, September 2013, August 2014 and January 2015 by setting off against the outstanding balances of the amount due from the Controlling Shareholders. In addition, members of our Group declared interim dividends in the amount of approximately HK\$16.8 million, which were approved by their shareholders on 26 May 2015. All of such dividends are expected to be paid upon Listing. Such dividends will be funded by our internal resources. Investors in the Share Offer and persons becoming Shareholders after the Listing will not be entitled to such dividends. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

DISTRIBUTABLE RESERVES

As at 28 February 2015, our Company had no distributable reserves available for distribution to our Shareholders.

PROPERTY INTERESTS

As at the Latest Practicable Date, no single property owned by us had a carrying value exceeding 15% of our total, the details of which are set out in the section headed “Business — Properties” in this prospectus.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of our Group attributable to owners of our Company as if the Share Offer had taken place on 28 February 2015. This unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group had the Share Offer been completed on 28 February 2015:

	Audited combined net tangible assets of our Group attributable to the owners of the Company as at 28 February 2015	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets of our Group per Share
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Notes 2 and 3)</i>
Based on the Offer Price of HK\$0.85 per Share	<u>19,729</u>	<u>86,778</u>	<u>106,507</u>	<u>0.21</u>
Based on the Offer Price of HK\$1.00 per Share	<u>19,729</u>	<u>104,778</u>	<u>124,507</u>	<u>0.25</u>

Notes:

- (1) The estimated net proceeds from the Share Offer are based on 125,000,000 Shares and the price range of HK\$0.85 and HK\$1.00 per Share, after deduction of underwriting fees and related expenses payable by the Company which has not been reflected in the net tangible assets of our Group as at 28 February 2015 and take no account of any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 500,000,000 Shares (including Shares in issue as at the Latest Practicable Date, Shares prior to the Capitalisation Issue, Shares under the Capitalisation Issue and the Share Offer) are in issue and that the options that may be granted under the Share Option Scheme are not exercised.
- (3) The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not take into account the interim dividend of approximately HK\$16,750,000 declared on 26 May 2015. Such dividend will be paid upon the Listing. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets would be approximately HK\$89,757,000 (assuming an Offer Price of HK\$0.85 per Share) and approximately HK\$107,757,000 (assuming an Offer Price of HK\$1.00 per Share) respectively, while the unaudited pro forma adjusted combined net tangible assets per Share would be HK\$0.18 (assuming an Offer Price of HK\$0.85 per Share) and HK\$0.22 (assuming an Offer Price of HK\$1.00 per Share) respectively.

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- (4) No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 28 February 2015.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in the paragraph headed “Notes to financial information — Related party transactions” in Appendix I to this prospectus. Our Directors confirm that these related party transactions were conducted on normal commercial terms and they would not distort our Track Record Period results or make our historical results not reflective of our future performance.

NO MATERIAL ADVERSE CHANGE

Our gross profit margin is expected to probably decrease for the year ending September 2015. The expected drop is mainly attributable to our strategic allocation of our resources and manpower towards undertaking more DFD projects in Hong Kong, benefiting from the surge of demand for luxury interior design from the spate of launching smaller properties in Hong Kong, which, however, is expected to result in a relatively lower overall gross profit margins to our Group. For details of the risks of the uncertainty in the sustainability of our gross profit margin, please refer to the section headed “Risk Factor - Risks Relating To Our Business” in this prospectus.

We currently expect that our net profit for the year ending 30 September 2015 will be negatively impacted by (i) the expected decrease in gross profit margin; and (ii) the non-recurring expense of approximately HK\$23.4 million (calculated on the assumption of an Offer Price of HK\$0.925 per Share, being the mid-point of the proposed Offer Price range) of which approximately HK\$14.1 million will be listing expense to be recognised as expenses in our combined statement of profit or loss and other comprehensive income and the remaining listing expense which are directly attributable to issuing new share will be deducted from equity upon the completion of the Share Offer.

There had not been, as far as we are aware, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since 28 February 2015 and up to the date of this prospectus.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or prospects of our Group since 28 February 2015, being the end of the period reported on in the Accountants’ Report and there had been no event since 28 February 2015 and up to the date of this prospectus which could materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Corporate Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Share Offer (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Share Offer) will be approximately HK\$92.2 million, assuming an Offer Price of HK\$0.925 per Share, being the mid-point of the Offer Price range stated in this prospectus.

We currently intend to apply these net proceeds for the following purposes:

- approximately HK\$41.5 million, representing approximately 45% of the net proceeds will be used for financing the potential acquisitions of companies and/or businesses which are primarily engaged in DFD works that complement our existing business to expand our contracting capabilities;
- approximately HK\$18.5 million, representing approximately 20% of the net proceeds will be used for financing the establishment of new regional offices in the PRC, our Directors believe that establishing regional offices would strengthen our market presence and client relationship in the PRC;
- approximately HK\$13.8 million, representing approximately 15% of the net proceeds will be used for promoting our brand by strengthening our marketing efforts to increase our market share;
- approximately HK\$9.2 million, representing approximately 10% of the net proceeds will be used for recruiting high caliber talents in management, design, decoration, finance, sales and marketing and enhance internal training to support future growth; and
- approximately HK\$9.2 million, representing approximately 10% of the net proceeds will be used for additional working capital and other general corporate purposes.

If the Offer Price is set at HK\$1.00 per Share (being the high end of the Offer Price range), the net proceeds from the Share Offer will increase to approximately HK\$101.2 million.

If the Offer Price is set at HK\$0.85 per Share (being the low end of the Offer Price range), the net proceeds from the Share Offer will decrease to approximately HK\$83.2 million.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments as permitted by the relevant laws and regulations.

UNDERWRITING

UNDERWRITERS

Placing Underwriters

Pacific Foundation Securities Limited

11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

Ample Orient Capital Limited

Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

CNI Securities Group Limited

10/F, Sun's Group Centre
200 Gloucester Road
Wanchai, Hong Kong

Supreme China Securities Limited

Room F, 17/F
Hang Seng Tsuen Wan Building
289 Sha Tsui Road
Tsuen Wan, Hong Kong

Kingsway Financial Services Group

7th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

Public Offer Underwriter

Pacific Foundation Securities Limited

11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

UNDERWRITING

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 12,500,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriter has agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which it shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Public Offer Underwriter to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Bookrunner may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the “Termination Time”) if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the business or in the financial or trading position of our Group; or
 - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, Cayman Islands, Macau, PRC or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “Relevant Jurisdictions”); or
 - (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or

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- (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

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- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (r) any loss or damage sustained by any member of our Group; or
- (s) save as disclosed in this prospectus, any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or
- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which in the sole and absolute opinion of the Sole Bookrunner:

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
- (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

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- (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) the Public Offer Underwriter shall become aware of the fact that, or have cause to believe that:
 - (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Bookrunner (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (b) any statement contained in this prospectus or the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute an omission therefrom as determined by the Sponsor (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (c) there has been a breach on the part of any of our Company, Controlling Shareholders and executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Sole Bookrunner (in its sole and absolute discretion).

Lock-up undertakings to the Public Offer

Underwriter Undertakings by our Company

Our Company has undertaken to the Sponsor and the Sole Bookrunner that our Company shall, and each of our Controlling Shareholders have undertaken to the Sponsor and the Sole Bookrunner to procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter), and subject always to the provisions of the Listing Rules, offer, allot, issue

UNDERWRITING

or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);

- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;
- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

UNDERWRITING

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor, the Sole Bookrunner and our Company that:

- (a) he or she or it shall not, without the prior written consent of the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter), directly or indirectly, and shall procure that none of his or her or its close associates (as defined in the Listing Rules) or companies controlled by him or her or it or any nominee or trustee holding in trust for him or her or it shall, during the First Six month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or she or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month Period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or she or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sponsor, the Sole Bookrunner and our Company that within the First Six-month Period and the Second Six-month Period he or she or it shall:

- (a) if and when he or she or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or her or it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Sole Bookrunner in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

UNDERWRITING

- (b) if and when he or she or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or her or it will be disposed of, immediately inform our Company, the Sponsor and the Sole Bookrunner in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer or unless in compliance with the requirements of the Listing Rules, it or he or she shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or his or her shareholding in our Company is made in the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

Our Controlling Shareholders have further undertaken to us and the Stock Exchange that it or he or she will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when it or he or she or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

UNDERWRITING

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Controlling Shareholders will, enter into the Placing Underwriting Agreement with, among other parties, the Sole Bookrunner, the Sponsor and the Placing Underwriters. Under the Placing Underwriting Agreement, it is expected that the Placing Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the Placing Shares.

Commission and Expenses

The Underwriters will receive an underwriting commission of 4.0% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$23.4 million in total (based on an Offer Price of HK\$0.925 per Share, being the mid-point of the indicative Offer Price range of between HK\$0.85 and HK\$1.00 per Share).

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Public Offer Underwriter for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Public Offer Underwriting Agreement.

Sponsor's and Underwriters' Interests in Our Company

The Joint Lead Managers and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the section headed "Underwriting — Commission and expenses" in this prospectus.

UNDERWRITING

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

As at the Latest Practicable Date and save as disclosed in this prospectus and other than pursuant to the Underwriting Agreements, none of the Underwriter(s) was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

Following the completion of the Share Offer, the Public Offer Underwriter and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement and the Placing Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Placing Underwriting Agreement.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (a) the Public Offer of 12,500,000 new Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer — The Public Offer” in this prospectus; and
- (b) the Placing of an aggregate of 112,500,000 new Shares (subject to reallocation as mentioned below) outside the United States to professional, institutional and individual investors.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

The Offer Shares will represent 25% of the total issued share capital of our Company immediately after completion of the Share Offer without taking into account the exercise of any option which may be granted under the Share Option Scheme.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 12,500,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Public Offer and the Placing, the Public Offer Shares will represent approximately 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the section headed “Structure and Conditions of the Share Offer — Conditions of the Public Offer” in this prospectus.

Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The total number of Offer Shares available under the Public Offer (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A.

Accordingly, the maximum number of Public Offer Shares initially in Pool A and Pool B will be 6,252,000 and 6,248,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 6,248,000 Public Offer Shares (being approximately 50% of the 12,500,000 Public Offer Shares initially available under the Public Offer) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment. The allocation of the Offer Shares between the Public Offer and the Placing is subject to the following adjustments:

- (a) if the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of the Offer Shares available under the Public Offer will be 37,500,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Share Offer;
- (b) if the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of the Offer Shares available under the Public Offer will be 50,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Share Offer; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (c) if the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of the Offer Shares available under the Public Offer will 62,500,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Share Offer.

In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Sole Bookrunner deems appropriate. In addition, the Sole Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing in such proportions as the Sole Bookrunner deems appropriate. Conversely, the Sole Bookrunner may at its sole discretion re-allocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.00 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Structure and Conditions of the Share Offer — Price Determination of the Share Offer" in this prospectus, is less than the maximum price of HK\$1.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

THE PLACING

Number of Offer Shares offered

The Placing will consist of an initial offering of 112,500,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer and approximately 22.5% of the total issued share capital immediately after completion of the Share Offer. The Placing will be offered by us to professional, institutional and individual investors in Hong Kong.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

The Placing will include selective marketing of the Placing Shares to institutional and other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the section entitled “Price Determination of the Share Offer” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner (for itself and on behalf of the other Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of the Public Offer Shares under the Public Offer.

Price Determination of the Share Offer

The Placing Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, 1 September 2015 by agreement between the Sole Bookrunner (for itself and on behalf of the other Underwriters), and our Company and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.00 per Share and is expected to be not less than HK\$0.85 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Bookrunner (for itself and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published in *The Standard* (in English) and *Sing Tao Daily* (in Chinese), on the website of our Company (www.lchk.hk) and the website of the Stock Exchange (www.hkexnews.hk) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the other Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, they will be allowed to subsequently withdraw their applications. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Bookrunner, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$92.2 million, assuming an Offer Price per Share of HK\$0.925 (being the mid-point of the stated indicative Offer Price range of HK\$0.85 to HK\$1.00 per Share).

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares available under the Public Offer, are expected to be announced on Monday, 7 September 2015 in *The Standard* (in English) and *Sing Tao Daily* (in Chinese), on the website of our Company (www.lchk.hk) and the website of the Stock Exchange (www.hkexnews.hk).

UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriter under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, the Sponsor, the Sole Bookrunner and the Placing Underwriters expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Public Offer Shares pursuant to the Public Offer will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Share Offer;
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters), or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company in *The Standard* (in English) and *Sing Tao Daily* (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Monday, 7 September 2015 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 8 September 2015 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer Underwriting Agreement — Grounds for Termination” in this prospectus has not been exercised.

DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 8 September 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 8 September 2015.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1683.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **HK eIPO White Form** service at www.hkeipo.hk; or electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company or the Sole Bookrunner, **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (other than qualified domestic institutional investors).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner (or its agents or nominees) may accept it at their discretion and on any conditions it think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The number of joint applicants may not exceed four for the Public Offer Shares and they may not apply by means of the **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares of our Company and/or any of our subsidiaries;
- a Director or Chief Executive Officer of our Company and/or any of our subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Placing Shares under the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 21 August 2015 to 12:00 noon on Wednesday, 26 August 2015 from:

- (i) the following address of the following Public Offer Underwriter:

Pacific Foundation Securities Limited
11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

	Branch Name	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre, Site 5, No. 6-12 Nam Ning Street, Aberdeen
Kowloon	Tsim Sha Tsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
New Territories	Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Fong

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 21 August 2015 until 12:00 noon on Wednesday, 26 August 2015 from the depository counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — LC Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 21 August 2015 : 9:00 a.m. to 5:00 p.m.
Saturday, 22 August 2015 : 9:00 a.m. to 1:00 p.m.
Monday, 24 August 2015 : 9:00 a.m. to 5:00 p.m.
Tuesday, 25 August 2015 : 9:00 a.m. to 5:00 p.m.
Wednesday, 26 August 2015 : 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 26 August 2015, the last application day or such later time as described in the section headed "How to Apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists" in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sponsor (or its agents or nominees) and/or the Sole Bookrunner (or its agents or nominees) and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies Ordinance (Miscellaneous Provisions) and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ix) (if the laws of any place outside Hong Kong apply to your application,) agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have collected the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website www.hkeipo.hk.

Detailed instruction for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 21 August 2015 until 11:30 a.m. on Wednesday, 26 August 2015 and the latest time for completing full payment of application monies in respect of such application will be 12:00 noon on Wednesday, 26 August 2015 or such later time under the section headed “How to Apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists” in this prospectus.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Section 40 of the Companies Ordinance (Miscellaneous Provisions)

For the avoidance of doubt, our Company and other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (Miscellaneous Provisions) (as applied by Section 342E of the Companies Ordinance (Miscellaneous Provisions)).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sponsor and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree that none of our Company, the Sponsor, the Sole Bookrunner, the Underwriters and the Joint Lead Managers, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Sole Bookrunner and the Joint Lead Managers and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (Miscellaneous Provisions) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Companies Ordinance (Miscellaneous Provisions), the Articles; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 21 August 2015 : 9:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 22 August 2015 : 8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 24 August 2015 : 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 25 August 2015 : 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 26 August 2015 : 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 21 August 2015 until 12:00 noon on Wednesday, 26 August 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 26 August 2015, the last application day or such later time as described in the section headed “How to Apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists” in this prospectus.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance (Miscellaneous Provisions)

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (Miscellaneous Provisions) (as applied by Section 342E of the Companies Ordinance (Miscellaneous Provisions)).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 26 August 2015.

8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** Application Forms and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** Application Forms and **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer” in this prospectus.

10. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 26 August 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 26 August 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 7 September 2015 in The Standard (in English) and Sing Tao Daily (in Chinese), on our Company's website at www.lchk.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.lchk.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 7 September 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 7 September 2015 to 12:00 midnight on Friday, 11 September 2015;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 and 6:00 p.m. from Monday, 7 September 2015 to Thursday, 10 September 2015 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 7 September 2015 to Wednesday, 9 September 2015 at all the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (Miscellaneous Provisions) (as applied by Section 342E of the Companies Ordinance (Miscellaneous Provisions)) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company and the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions of the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 6,248,000 Public Offer Shares (being approximately 50% of the 12,500,000 Public Offer Shares initially available under the Public Offer).

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 7 September 2015.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Forms or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 7 September 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 8 September 2015 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 7 September 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 7 September 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 7 September 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 7 September 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iv) If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 7 September 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(v) If you apply through HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 7 September 2015 or such other date as notified by our Company in the newspapers as at the date of despatch/collection of share certificate(s)/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where application) will be sent to the address on the relevant application instruction on Monday, 7 September 2015, by ordinary post and at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(vi) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 7 September 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of results" above on Monday, 7 September 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 7 September 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 7 September 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 7 September 2015.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

21 August 2015

The Directors
LC Group Holdings Limited
Ample Capital Limited

Dear Sirs,

We set out below our report on the financial information of LC Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 30 September 2012, 2013 and 2014 and for the five months ended 28 February 2015 (the “**Track Record Period**”), and the combined statements of financial position of the Group as at 30 September 2012, 2013 and 2014 and 28 February 2015 and the statement of financial position of the Company as at 28 February 2015 together with the notes thereto (the “**Financial Information**”), and the comparative combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the five months ended 28 February 2014 (“**Unaudited Comparative Financial Information**”) prepared on the basis of presentation set out in Note 3 of Section II below, for inclusion in the prospectus of the Company dated 21 August 2015 (the “**Prospectus**”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 January 2015. Pursuant to a group reorganisation (the “**Reorganisation**”) as more fully explained in the section headed “History, Reorganisation and Corporate Structure” from pages 81 to 92 of the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 2 of Section II. The Reorganisation became effective on 4 August 2015.

All companies now comprising the Group have adopted 30 September as their financial year end date except for (i) LCL Deco Limited (“**LCL Deco**”) which has adopted 31 March as its financial year end date, and (ii) LCL Construction Limited (“**LCL Construction**”), LCL Design Limited (“**LCL Design**”) and LCL Interior Limited (“**LCL Interior**”) have adopted 30 June as their financial year end date.

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 27 of Section II below. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to those companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Track Record Period are set out in Note 27 of Section II below.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the audited financial statements or unaudited financial statements of the Group, in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Hong Kong Companies Ordinance. The Financial Information for each of the Track Record Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company are responsible for the contents of the Prospectus, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 3 of Section II. The directors of the Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information of which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists principally of making enquiries of the Group’s management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excluded audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 3 of Section II below, gives a true and fair view of the state of affairs of the Company as at 28 February 2015, the state of affairs of the Group as at 30 September 2012, 2013 and 2014 and 28 February 2015 and of the combined results and the combined cash flows of the Group for the Track Record Period.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respect, in accordance with accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 30 September			For the five months ended 28 February	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
					<i>(Unaudited)</i>	
Revenue	6	270,293	183,429	113,786	69,112	56,240
Cost of sales		<u>(203,704)</u>	<u>(140,718)</u>	<u>(69,936)</u>	<u>(39,732)</u>	<u>(35,325)</u>
Gross profit		66,589	42,711	43,850	29,380	20,915
Other revenue and other gains	7	1,833	1,334	1,659	1,140	585
Other operating expenses		(1,576)	(615)	(1,472)	(1,137)	(670)
Administrative expenses		<u>(18,128)</u>	<u>(14,482)</u>	<u>(15,930)</u>	<u>(6,819)</u>	<u>(11,309)</u>
Profit before taxation		48,718	28,948	28,107	22,564	9,521
Taxation	8	<u>(8,622)</u>	<u>(5,613)</u>	<u>(4,756)</u>	<u>(3,620)</u>	<u>(2,286)</u>
Profit and total comprehensive income for the year/period	9	<u>40,096</u>	<u>23,335</u>	<u>23,351</u>	<u>18,944</u>	<u>7,235</u>
Attributable to:						
Owners of the Company		39,530	23,216	23,200	18,403	7,540
Non-controlling interests		<u>566</u>	<u>119</u>	<u>151</u>	<u>541</u>	<u>(305)</u>
Profit and total comprehensive income for the year/period		<u>40,096</u>	<u>23,335</u>	<u>23,351</u>	<u>18,944</u>	<u>7,235</u>
Earnings per share:						
Basic and diluted (<i>HK cents</i>)	13	<u>10.5</u>	<u>6.2</u>	<u>6.2</u>	<u>4.9</u>	<u>2.0</u>

The accompanying notes form an integral part of the Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 30 September			As at 28 February
		2012	2013	2014	2015
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current asset					
Property, plant and equipment	14	<u>5,391</u>	<u>4,029</u>	<u>2,830</u>	<u>2,250</u>
Current assets					
Trade receivables	15	19,180	13,037	6,677	10,119
Amounts due from customers for contract work	16	3,652	1,827	118	324
Deposits, prepayments and other receivables	17	5,505	3,963	1,201	5,136
Amount due from a shareholder	18	16,628	20,383	38,851	—
Cash and bank balances	19	<u>59,280</u>	<u>53,408</u>	<u>34,360</u>	<u>38,324</u>
		<u>104,245</u>	<u>92,618</u>	<u>81,207</u>	<u>53,903</u>
Current liabilities					
Trade payables	20	19,559	8,538	6,622	7,057
Amounts due to customers for contract work	16	9,098	1,806	807	—
Accrued expenses and other payables	21	3,889	35,967	6,765	6,953
Amount due to a non-controlling shareholder	22	126	126	126	—
Income tax payable		<u>16,162</u>	<u>20,073</u>	<u>19,219</u>	<u>21,510</u>
		<u>48,834</u>	<u>66,510</u>	<u>33,539</u>	<u>35,520</u>
Net current assets		<u>55,411</u>	<u>26,108</u>	<u>47,668</u>	<u>18,383</u>
Total assets less current liabilities		<u>60,802</u>	<u>30,137</u>	<u>50,498</u>	<u>20,633</u>
Net assets		<u>60,802</u>	<u>30,137</u>	<u>50,498</u>	<u>20,633</u>

		As at 30 September			As at 28 February
		2012	2013	2014	2015
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital and reserves					
Share capital	24	611	611	621	620
Reserves	25	<u>55,707</u>	<u>26,223</u>	<u>47,423</u>	<u>19,109</u>
Total equity attributable to owners of the Company					
		56,318	26,834	48,044	19,729
Non-controlling interests		<u>4,484</u>	<u>3,303</u>	<u>2,454</u>	<u>904</u>
Total equity					
		<u>60,802</u>	<u>30,137</u>	<u>50,498</u>	<u>20,633</u>

The accompanying notes form an integral part of the Financial Information.

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 28 February 2015 HK\$'000
Current liability		
Amount due to a subsidiary	23	<u>(47)</u>
Net current liability		<u>(47)</u>
Total asset less current liability		<u>(47)</u>
Net liability		<u><u>(47)</u></u>
Capital and reserve		
Share capital	24	—
Accumulated loss	25	<u>(47)</u>
Total equity		<u><u>(47)</u></u>

The accompanying notes form an integral part of the Financial Information.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Retained earnings HK\$'000	Other reserve HK\$'000			
At 1 October 2011	611	31,177	—	31,788	3,918	35,706
Profit and total comprehensive income for the year	—	39,530	—	39,530	566	40,096
Dividend paid (<i>Note 12</i>)	—	(15,000)	—	(15,000)	—	(15,000)
At 30 September 2012 and 1 October 2012	611	55,707	—	56,318	4,484	60,802
Profit and total comprehensive income for the year	—	23,216	—	23,216	119	23,335
Dividend paid (<i>Note 12</i>)	—	(52,700)	—	(52,700)	(1,300)	(54,000)
At 30 September 2013 and 1 October 2013	611	26,223	—	26,834	3,303	30,137
Profit and total comprehensive income for the year	—	23,200	—	23,200	151	23,351
Issues of shares	10	—	—	10	—	10
Dividend paid (<i>Note 12</i>)	—	(2,000)	—	(2,000)	(1,000)	(3,000)
At 30 September 2014	<u>621</u>	<u>47,423</u>	<u>—</u>	<u>48,044</u>	<u>2,454</u>	<u>50,498</u>
At 1 October 2013	611	26,223	—	26,834	3,303	30,137
Profit and total comprehensive income for the period	—	18,403	—	18,403	541	18,944
Issues of shares	10	—	—	10	—	10
At 28 February 2014 (Unaudited)	<u>621</u>	<u>44,626</u>	<u>—</u>	<u>45,247</u>	<u>3,844</u>	<u>49,091</u>
At 1 October 2014	621	47,423	—	48,044	2,454	50,498
Profit/(loss) and total comprehensive income/(loss) for the period	—	7,540	—	7,540	(305)	7,235
Change in ownership interests in subsidiaries (<i>Note 26</i>)	—	—	1,245	1,245	(1,245)	—
Reorganisation	(1)	—	1	—	—	—
Dividend paid (<i>Note 12</i>)	—	(37,100)	—	(37,100)	—	(37,100)
At 28 February 2015	<u>620</u>	<u>17,863</u>	<u>1,246</u>	<u>19,729</u>	<u>904</u>	<u>20,633</u>

The accompanying notes form an integral part of the Financial Information.

COMBINED STATEMENTS OF CASH FLOWS

	For the year ended			For the	
	30 September			five months ended	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>				
Cash flows from operating activities					
Profit before taxation	48,718	28,948	28,107	22,564	9,521
Adjustments for:					
Bad debts written off	1,672	1	110	—	—
Interest income	(80)	(116)	(115)	(61)	(20)
Net exchange loss	262	104	215	342	775
Depreciation of property, plant and equipment	1,685	1,765	1,760	681	647
Gain on disposals of property, plant and equipment	(710)	—	(135)	(135)	(230)
Operating cash flows before movements in working capital	51,547	30,702	29,942	23,391	10,693
(Increase)/decrease in trade receivables	(2,569)	6,142	6,250	(573)	(3,442)
(Increase)/decrease in deposits, prepayments and other receivables	(5,040)	1,542	2,762	179	(3,935)
(Increase)/decrease in amounts due from customers for contract work	(3,652)	1,825	1,709	1,697	(206)
Increase/(decrease) in trade payables	8,922	(11,021)	(1,916)	2,720	435
Increase/(decrease) in amounts due to customers for contract work	9,099	(7,292)	(999)	5,208	(807)
Increase/(decrease) in accrued expenses and other payables	914	32,078	(29,202)	(23,485)	188
Cash generated from operations	59,221	53,976	8,546	9,137	2,926
Hong Kong tax (paid)/refund	(5,946)	(1,702)	(5,610)	(7,993)	5
Net cash generated from operating activities	<u>53,275</u>	<u>52,274</u>	<u>2,936</u>	<u>1,144</u>	<u>2,931</u>

	For the year ended			For the	
	30 September			five months ended	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>				
Cash flows from investing activities					
Purchases of items of property, plant and equipment	(4,960)	(403)	(586)	(586)	(67)
Bank interest received	80	116	115	61	20
Proceeds from disposals of property, plant and equipment	<u>1,800</u>	<u>—</u>	<u>160</u>	<u>160</u>	<u>230</u>
Net cash (used in)/generated from investing activities	<u>(3,080)</u>	<u>(287)</u>	<u>(311)</u>	<u>(365)</u>	<u>183</u>
Cash flows from financing activities					
(Increase)/decrease in amount due from a shareholder	(34,576)	(56,455)	(20,458)	(8,228)	1,751
Repayment to a non-controlling shareholder	—	—	—	—	(126)
Dividend paid to non-controlling shareholders	<u>—</u>	<u>(1,300)</u>	<u>(1,000)</u>	<u>—</u>	<u>—</u>
Net cash (used in)/generated from financing activities	<u>(34,576)</u>	<u>(57,755)</u>	<u>(21,458)</u>	<u>(8,228)</u>	<u>1,625</u>
Net increase/(decrease) in cash and cash equivalents	15,619	(5,768)	(18,833)	(7,449)	4,739
Cash and cash equivalents at the beginning of the year/period	43,923	59,280	53,408	53,408	34,360
Effect of exchange rate changes	<u>(262)</u>	<u>(104)</u>	<u>(215)</u>	<u>(342)</u>	<u>(775)</u>
Cash and cash equivalents at the end of the year/period	<u>59,280</u>	<u>53,408</u>	<u>34,360</u>	<u>45,617</u>	<u>38,324</u>
Cash and cash equivalents as stated in the combined statements of financial position	<u>59,280</u>	<u>53,408</u>	<u>34,360</u>	<u>45,617</u>	<u>38,324</u>

II. NOTES TO FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated in Cayman Islands on 19 January 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 21/F, Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong.

The Company is an investment company. The Group is principally engaged in one-stop integrated interior design solutions including design, fit out and decoration as well as overall project management.

The Financial Information are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

2. REORGANISATION**(a) Incorporation of offshore investment vehicle by Mr. Leong Hing Loong Rudoff ("Mr. Leong") and Ms. Chew Christina Mooi Chong ("Ms. Chew")**

On 10 November 2014, Starcross Group Limited ("SGL") was incorporated in the British Virgin Islands ("BVI") with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On the same day, 75 shares and 25 shares were allotted and issued to Mr. Leong and Ms. Chew at par. As at the Latest Practicable Date, SGL was held as to 75% and 25% by Mr. Leong and Ms. Chew, respectively.

(b) Acquisition of shareholding interests in each of Crystal Sky Group Limited ("Crystal Sky"), LCL Architects Limited ("LCL Architects"), LCL China Limited ("LCL China"), LCL Construction, LCL Deco, LCL Decoration Limited ("LCL Decoration"), LCL Design, LCL Interior and LCL Limited ("LCL Ltd.") from Mr. Leong and/or Ms. Chew by Smart Builder Holdings Limited ("SBHL")

The Group carried out the following restructuring exercises in order to make each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. under one common shareholder, SBHL.

- (i) On 19 January 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in Crystal Sky to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;

- (ii) On 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Architects to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (iii) On 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL China to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (iv) On 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Construction to SBHL (as directed by the Company) in consideration of the allotment and issue of nine shares and one share by the Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid and the crediting as fully paid at par the one nil-paid Share in issue and registered in the name of SGL;
- (v) On 3 August 2015, Mr. Leong transferred his entire shareholding interest in LCL Deco to SBHL (as directed by the Company) in consideration of the allotment and issue of one share by the Company to SGL (as directed by Mr. Leong) credited as fully-paid;
- (vi) On 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Decoration to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (vii) On 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Design to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid;
- (viii) On 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Interior to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid; and
- (ix) On 3 August 2015, Mr. Leong and Ms. Chew transferred their entire shareholding interest in LCL Ltd. to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. Leong and Ms. Chew), respectively, credited as fully-paid.

Following the above steps of Reorganisation, each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. has become a direct wholly-owned subsidiary of SBHL.

(c) Disposal of Crystal Sky

The Group disposed of Crystal Sky which has become inactive towards the end of the Track Record Period. On 4 August 2015, SBHL and Mr. Leong entered into a sale and purchase agreement, pursuant to which SBHL agreed to transfer the entire issued share capital of Crystal Sky at the consideration of approximately HK\$974,000 to Mr. Leong. The consideration for the transfer was determined based on the net assets value of Crystal Sky according to the management accounts of Crystal Sky as at 31 July 2015. Crystal Sky generated net profit/(loss) of approximately HK\$19.3 million, HK\$14.4 million, HK\$(8,500) and nil for the three years ended 30 September 2014 and the five months ended 28 February 2015 respectively. Crystal Sky had not generated any revenue and had been inactive for the year ended 30 September 2014. The net asset value of Crystal Sky as at 30 September 2012, 2013 and 2014 and 28 February 2015 were approximately HK\$4.6 million, HK\$1.0 million, HK\$1.0 million and HK\$1.0 million respectively. As the consideration for the disposal of Crystal Sky was based on its net asset value, the disposal of Crystal Sky did not result in any gain or loss on the Group. Moreover, as Crystal Sky has become inactive since 1 October 2013, the disposal of Crystal Sky will not affect the Group's financial performance and business. The full amount of the total tax involved for the years of assessment 2009/10 to 2013/14 of approximately HK\$13.1 million, together with the estimated penalty of approximately HK\$4.6 million (i.e. approximately HK\$17.7 million in aggregate), has already been provided for in the audited financial results. In the event that the tax and penalty payable by Crystal Sky exceeds the amount provided for in the audited financial results (i.e. approximately HK\$17.7 million), SGL, Mr. Leong and Ms. Chew will indemnify the Group in accordance with the terms and conditions of the deed of indemnity. Further, according to the terms of the sale and purchase agreement dated 4 August 2015 and entered into between SBHL as vendor and Mr. Leong as purchaser in respect of the sale and purchase of all the shareholding interests of SBHL in Crystal Sky, Mr. Leong will indemnify the Group of any tax liability incurred on or before 19 January 2015 (being the date on which the Group first acquired the entire issued share capital in Crystal Sky as described in further details in the paragraph headed "Acquisition of shareholding interests in each of Crystal Sky, LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. from Mr. Leong and/or Ms. Chew by SBHL" above), or on or after the date of the abovementioned agreement. As a result, the Group shall not be liable for any liabilities in relation to the tax payable by Crystal Sky upon the disposed of Crystal Sky. Crystal Sky has passed resolutions appointing a liquidator to proceed with a voluntary liquidation of Crystal Sky on 13 August 2015.

Following the above step of Reorganisation, each of LCL China, LCL Construction, LCL Decoration, LCL Design, LCL Interior, LCL Ltd., LCL Deco and LCL Architects has become a direct wholly-owned subsidiary of SBHL.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period and using the merger basis of accounting as if the Group had always been in existence as further explained below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

For the purpose of preparing the Financial Information, the Group has consistently applied all the new and revised HKFRSs which are effective for the Group during the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

Application of new and revised standards, amendments and interpretations

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations during the Track Record Period.

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRSs	Annual Improvement of HKFRS 2012-2014 Cycle ⁴

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The management is in the process of assessing the potential impact on the results and financial position of the Group.

Basis of preparation and presentation

Pursuant to the Reorganisation the Company became the holding company of the companies now comprising the Group. The companies that took part in the Reorganisation were controlled by Mr. Leong and Ms. Chew prior to and after the Reorganisation. The control is not transitional and, consequently, there was a continuation of the risks and benefits to Mr. Leong and Ms. Chew. Therefore, the Reorganisation is considered as a business combination of entities under common control and was accounted for using merger accounting according to Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combination” (“AG5”) issued by the HKICPA.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period as set out in Section I of this report include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated/established at a date later than 1 October 2011, for the period from the date of incorporation/establishment to 28 February 2015). The combined statements of financial position of the Group as at 30 September 2012, 2013 and 2014 and 28 February 2015 as set out in Section I of this report have been prepared to present the state of affairs of the Group as at the respective dates as if the Reorganisation was completed at the beginning of the Track Record Period.

The accounting policies set out below have been consistently applied to all periods presented in the Financial Information.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (i) has power over the investee;

- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins with the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for common control combination

The Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position of the Company at cost less accumulated impairment losses, if any.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (i) Project for design, fit out and decoration service income is recognised based on the stage of completion of the contracts, provide that the stage of contract completion and the contract costs of the contracting work can be measured reliably. The stage of completion of a contract is established by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost;
- (ii) Design and/or decoration service income is recognised upon services rendered; and
- (iii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

The Group's policy for recognition of service income from provision of design, fit out and decoration services is set out in the accounting policy headed "Construction contracts" below.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the combined statements of profit or loss and other comprehensive income during the Track Record Period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	25%-30%

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gain and loss on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of profit or loss and other comprehensive income.

Construction contracts

Where the outcome of a construction contract in relation to provision of design, fit out and decoration services can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position as a liability, as receipt in advances. Amounts billed for work performed but not yet paid by the customers are included in the combined statements of financial position under trade receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measures in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other

comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the Track Record Period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but as that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each of the Track Record Period subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amount due from a shareholder and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade payables, accrued expenses and other payables and amount due to a non-controlling shareholder) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over each of the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing of the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocated the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss

allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and in banks. Restricted bank deposits are excluded from cash and cash equivalents.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined statements of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the combined statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Related parties

- (i) A person or a closed member of that person's family, is related to the Group, if that person:
 - (a) has control or joint control over the Group;

- (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or of a parent of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
- (a) the entity and the Group are members of the same group;
 - (b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (c) the entity and the Group are joint ventures of the same third party;
 - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (f) the entity is controlled or jointly controlled by a person identified in (i); and
 - (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Construction contracts revenue recognition

The Group recognises contract revenue and profit of a construction contract in relation to provision of design, fit out and decoration services and design and decoration services according to the management's estimation of the total outcome of the contract as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

(b) Impairment of trade receivables

The aging debt profile of trade debtors is reviewed on a regular basis to ensure that the trade receivables balances are collectable and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables balance are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aging analysis of the trade receivables balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the combined statements of profit or loss and other comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect the results of operations of the Group.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(d) Income taxes

The Group is subject to income taxes in Hong Kong and Macau. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The Group

	As at 30 September			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Financial assets:				
Loan and receivables (including cash and bank balances)				
- Trade receivables	19,180	13,037	6,677	10,119
- Deposits and other receivables	4,666	1,037	1,084	3,766
- Amount due from a shareholder	16,628	20,383	38,851	—
- Cash and bank balances	<u>59,280</u>	<u>53,408</u>	<u>34,360</u>	<u>38,324</u>

	As at 30 September			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Financial liabilities:				
Amortised cost				
- Trade payables	19,559	8,538	6,622	7,057
- Accrued expenses and other payables	3,889	5,847	6,765	4,980
- Amount due to a non-controlling shareholder	<u>126</u>	<u>126</u>	<u>126</u>	<u>—</u>

The Company

	As at 30 September			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Financial liability:				
Amortised cost				
- Amount due to a subsidiary	<u>—</u>	<u>—</u>	<u>—</u>	<u>47</u>

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk**(i) Interest rate risk**

As at 30 September 2012, 2013 and 2014 and 28 February 2015, the Group did not hold any assets and liabilities which are exposed to significant interest risk.

(ii) Foreign exchange risk

The Group has certain portion of bank balances and cash denominated in currencies other than the functional currency of the entities to which they related. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the balance sheet date to major currency risk:

	Liabilities				Assets			
	As at 30 September		As at 28 February		As at 30 September		As at 28 February	
	2012	2013	2014	2015	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Australian Dollars ("AUS")	—	—	—	—	641	4,392	4,279	3,841
European Dollars ("EUR")	—	—	—	—	3,511	2,705	56	42
Renminbi ("RMB")	—	—	—	—	118	22,420	4,041	3,321
Singapore Dollars ("SGD")	—	—	—	—	1,910	2,193	2,132	1,955

The foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in AUS, EUR, RMB and SGD.

The following table details the Group's sensitivity to a 5% (2012: 5%, 2013: 5% and 2014: 5% and February 2015: 5%) increase and decrease in HK\$ against AUS, EUR, RMB and SGD. 5% (2012: 5%, 2013: 5% and 2014: 5% and February 2015: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity

analysis includes outstanding foreign currency denominated monetary items. It also includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. The Group's sensitivity to foreign currency has changed during the Track Record Period mainly due to the change of the position of foreign currency denominated monetary net liabilities. If HK\$ strengthen 5% against AUS, EUR, RMB and SGD while a positive number below indicates an increase in profit, there would be an equal and opposite impact on the profit as those referred to in the table below:

Impact of AUS

	For the year ended 30 September			For the five months ended
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sensitivity rate	5%	5%	5%	5%
Profit or loss	32	220	214	192

Impact of EUR

	For the year ended 30 September			For the five months ended
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sensitivity rate	5%	5%	5%	5%
Profit or loss	176	135	3	2

Impact of RMB

	For the year ended 30 September			For the five months ended
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sensitivity rate	5%	5%	5%	5%
Profit or loss	6	1,121	202	166

	Impact of SGD			
	For the year ended 30 September			For the five months ended
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sensitivity rate	5%	5%	5%	5%
Profit or loss	96	110	107	98

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables. In order to minimise the credit risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is adequately managed and mitigated.

The Group had certain concentration of credit risk as 12%, 12%, 8% and 46% of the total trade receivables of the Group were due from the largest customer and 77%, 81%, 44% and 86% of the total trade receivables of the Group were due from five largest customers as at 30 September 2012, 2013 and 2014 and 28 February 2015 respectively. Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those debtors on an ongoing basis. In addition, the credit risks on liquid funds including bank deposit and bank balances is limited because the counterparties are banks with good reputation.

Liquidity risk

The Group's liquidity risk management includes maintaining flexibility by keeping sufficient cash and cash equivalents generated from operations. The Company regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following table details the Group's remaining contractual maturity for its non-derivatives financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

The Group

	Weighted average effective interest rate %	Within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 September 2012					
Non-derivative financial liabilities					
Trade payables	—	19,559	—	19,559	19,559
Accrued expenses and other payables	—	3,889	—	3,889	3,889
Amount due to a non-controlling shareholder	—	<u>126</u>	<u>—</u>	<u>126</u>	<u>126</u>
		<u>23,574</u>	<u>—</u>	<u>23,574</u>	<u>23,574</u>

	Weighted average effective interest rate %	Within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 September 2013					
Non-derivative financial liabilities					
Trade payables	—	8,538	—	8,538	8,538
Accrued expenses and other payables	—	5,847	—	5,847	5,847
Amount due to a non-controlling shareholder	—	<u>126</u>	<u>—</u>	<u>126</u>	<u>126</u>
		<u>14,511</u>	<u>—</u>	<u>14,511</u>	<u>14,511</u>

	Weighted average effective interest rate %	Within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 September 2014					
Non-derivative financial liabilities					
Trade payables	—	6,622	—	6,622	6,622
Accrued expenses and other payables	—	6,765	—	6,765	6,765
Amount due to a non-controlling shareholder	—	<u>126</u>	<u>—</u>	<u>126</u>	<u>126</u>
		<u>13,513</u>	<u>—</u>	<u>13,513</u>	<u>13,513</u>

	Weighted average effective interest rate %	Within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 28 February 2015					
Non-derivative financial liabilities					
Trade payables	—	7,057	—	7,057	7,057
Accrued expenses and other payables	—	<u>4,980</u>	<u>—</u>	<u>4,980</u>	<u>4,980</u>
		<u>12,037</u>	<u>—</u>	<u>12,037</u>	<u>12,037</u>

The Company

	Weighted average effective interest rate %	Within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 28 February 2015					
Non-derivative financial liability					
Amount due to a subsidiary	—	<u>47</u>	<u>—</u>	<u>47</u>	<u>47</u>

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid and ask prices respectively;
- (ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of those financial instrument.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the Financial Information approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of each of the Track Record Period.

There were no transfers between Level 1 and 2 and no transfers into or out of Level 3 in Track Record Period.

(d) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There was no change in the Group's approach to capital management during the Track Record Period.

6. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resources. The Group focuses on provision of design, fit out and decoration services during the Track Record Period. Information reported to the chief operating decision marker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Revenue from major services

The Group's revenue from its major services during the Track Record Period is follows:

	For the year ended			For the five months	
	30 September			ended 28 February	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Design and/or decoration service income	8,821	5,609	12,323	3,473	7,723
Design, fit out and decoration service income	<u>261,472</u>	<u>177,820</u>	<u>101,463</u>	<u>65,639</u>	<u>48,517</u>
	<u>270,293</u>	<u>183,429</u>	<u>113,786</u>	<u>69,112</u>	<u>56,240</u>

Geographical information

The Group's operations are located in Hong Kong, People's Republic of China (the "PRC") and Macau.

The Group's geographical segments are classified according to the location of customers. There are three customer-based geographical segments. Segment revenue from external customers by the location of customer during the Track Record Period is as follows:

Revenue from external customers

	For the year ended			For the five months	
	30 September			ended 28 February	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Hong Kong	240,896	141,044	57,077	27,810	46,837
PRC	5,795	35,377	56,109	40,702	9,403
Macau	<u>23,602</u>	<u>7,008</u>	<u>600</u>	<u>600</u>	<u>—</u>
	<u>270,293</u>	<u>183,429</u>	<u>113,786</u>	<u>69,112</u>	<u>56,240</u>

The Group's geographical segments are also classified by the location of assets, information about its non-current assets by geographical location are detailed below:

Non-current assets

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Hong Kong	<u>5,391</u>	<u>4,029</u>	<u>2,830</u>	<u>2,250</u>

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	For the year ended			For the five months	
	30 September			ended 28 February	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Customer A	99,761	47,079	25,283	17,661	—
Customer B	87,597	35,071	54,980	37,829	—
Customer C	41,089	29,020	—	7,106	12,854
Customer D	—	21,380	—	—	16,015
Customer E	—	—	—	—	8,816
Customer F	—	24,458	—	—	—
Customer G	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,192</u>

7. OTHER REVENUE AND OTHER GAINS

	For the year ended 30 September			For the five months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Other revenue					
Bank interest income	80	116	115	61	20
Other operating income	1,032	1,218	1,266	815	335
Sundry income	11	—	143	129	—
	<u>1,123</u>	<u>1,334</u>	<u>1,524</u>	<u>1,005</u>	<u>355</u>
Other gains					
Gain on disposal of property, plant and equipment	710	—	135	135	230
Total	<u>1,833</u>	<u>1,334</u>	<u>1,659</u>	<u>1,140</u>	<u>585</u>

8. TAXATION

	For the year ended 30 September			For the five months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Current tax:					
Hong Kong	8,408	5,613	4,756	3,620	2,286
Macau	214	—	—	—	—
Current tax expense	<u>8,622</u>	<u>5,613</u>	<u>4,756</u>	<u>3,620</u>	<u>2,286</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Track Record Period.

Macau complementary tax is levied at progressive rates ranging from 9% to 12% on the taxable income above MOP200,000 but below MOP300,000, and thereafter at a fixed rate of 12%.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during the Track Record Period.

The income tax expense for the year can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	For the year ended 30 September			For the five months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				<i>(Unaudited)</i>	
Profit before taxation	<u>48,718</u>	<u>28,948</u>	<u>28,107</u>	<u>22,564</u>	<u>9,521</u>
Tax expense at rates applicable to profits in the jurisdiction concerned	8,038	4,776	4,638	3,723	1,571
Tax effect of income not taxable for tax purpose	(130)	(19)	(31)	(51)	(41)
Tax effect of expenses not deductible for tax purpose	514	179	2	101	594
Tax effect of deductible temporary differences not recognised	(144)	153	193	(11)	120
Tax effect of tax losses not recognised	404	564	73	—	110
Effect of tax reduction	<u>(60)</u>	<u>(40)</u>	<u>(119)</u>	<u>(142)</u>	<u>(68)</u>
Income tax expense for the year/period	<u>8,622</u>	<u>5,613</u>	<u>4,756</u>	<u>3,620</u>	<u>2,286</u>

9. PROFIT FOR THE YEAR/PERIOD

	For the year ended 30 September			For the five months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Profit for the year/period has been arrived at after charging:					
Directors' emoluments (<i>Note 10</i>)	1,906	2,055	4,261	1,661	2,170
Salaries, wages and other benefits (excluding directors' emoluments)	7,276	6,918	5,357	2,268	2,864
Pension scheme contributions (excluding directors' emoluments)	250	251	193	76	86
	<u>7,526</u>	<u>7,169</u>	<u>5,550</u>	<u>2,344</u>	<u>2,950</u>
Auditors' remuneration	257	243	291	—	—
Bad debts written off (<i>Note 15</i>)	1,672	1	110	—	—
Depreciation of property, plant and equipment (<i>Note 14</i>)	1,685	1,765	1,760	681	647
Minimum lease payments under operating leases in respect of office premises	2,670	2,824	3,476	1,499	1,029
Net exchange loss	262	104	215	342	775
Initial public offering expenses (included in administrative expense)	—	—	—	—	<u>3,550</u>

10. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors of the Company during the Track Record Period are as follows:

	For the year ended 30 September			For the five months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Fees	—	—	—	—	—
Other emoluments:					
- Salaries, allowances, bonuses and benefits in kind	1,880	2,025	4,228	1,649	2,150
- Pension scheme contributions	26	30	33	12	20
	<u>1,906</u>	<u>2,055</u>	<u>4,261</u>	<u>1,661</u>	<u>2,170</u>

(Unaudited)

For the year ended 30 September 2012

	Fees HK\$'000	Salaries, allowances, bonuses and benefit in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors				
Mr. Leong (<i>note (a)</i>)	—	1,026	13	1,039
Ms. Chew (<i>note (b)</i>)	—	854	13	867
Mr. Shih Steven Chun Ning ("Mr. Shih") (<i>note (c)</i>)	—	—	—	—
	<u>—</u>	<u>1,880</u>	<u>26</u>	<u>1,906</u>

For the year ended 30 September 2013

	Fees <i>HK\$'000</i>	Salaries, allowances, bonuses and benefit in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors				
Mr. Leong (<i>note (a)</i>)	—	1,100	15	1,115
Ms. Chew (<i>note (b)</i>)	—	925	15	940
Mr. Shih (<i>note (c)</i>)	—	—	—	—
	<u>—</u>	<u>2,025</u>	<u>30</u>	<u>2,055</u>

For the year ended 30 September 2014

	Fees <i>HK\$'000</i>	Salaries, allowances, bonuses and benefit in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors				
Mr. Leong (<i>note (a)</i>)	—	1,904	17	1,921
Ms. Chew (<i>note (b)</i>)	—	1,724	16	1,740
Mr. Shih (<i>note (c)</i>)	—	600	—	600
	<u>—</u>	<u>4,228</u>	<u>33</u>	<u>4,261</u>

For the five months ended 28 February 2014 (Unaudited)

	Fees <i>HK\$'000</i>	Salaries, allowances, bonuses and benefit in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors				
Mr. Leong (<i>note (a)</i>)	—	787	6	793
Ms. Chew (<i>note (b)</i>)	—	712	6	718
Mr. Shih (<i>note (c)</i>)	—	150	—	150
	<u>—</u>	<u>1,649</u>	<u>12</u>	<u>1,661</u>

For the five months ended 28 February 2015

	Fees <i>HK\$'000</i>	Salaries, allowances, bonuses and benefit in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors				
Mr. Leong (<i>note (a)</i>)	—	870	8	878
Ms. Chew (<i>note (b)</i>)	—	900	8	908
Mr. Shih (<i>note (c)</i>)	—	380	4	384
	<u>—</u>	<u>2,150</u>	<u>20</u>	<u>2,170</u>

Notes:

- (a) Mr. Leong was director of LCL Construction, LCL Design, LCL Interior, LCL China, LCL Ltd., LCL Decoration, LCL Deco and LCL Architects during the Track Record Period and has been appointed as executive director of the Company on 24 April 2015.
- (b) Ms. Chew was director of LCL Construction, LCL Design, LCL Interior, LCL China, LCL Ltd., LCL Decoration, LCL Deco and LCL Architects during the Track Record Period and has been appointed as executive director of the Company on 24 April 2015.
- (c) Mr. Shih was the senior management of LCL Architects during the Track Record Period and has been appointed as executive director of the Company on 24 April 2015.

During the Track Record Period, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There were no arrangement under which a director waived or agreed to waived any emoluments during the Track Record Period.

11. EMPLOYEES EMOLUMENTS

(a) Five highest paid individuals

The five highest paid employees of the Group included 2, 2, 3, 2 and 3 directors for the years ended 30 September 2012, 2013 and 2014 and the five months ended 28 February 2014 and 2015 respectively. The emolument of the remaining individuals are analysed as follows:

	For the year ended 30 September			For the five months ended 28 February	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Directors	1,906	2,055	4,261	1,511	2,170
Non-directors	<u>1,511</u>	<u>1,530</u>	<u>1,321</u>	<u>746</u>	<u>715</u>
	<u>3,417</u>	<u>3,585</u>	<u>5,582</u>	<u>2,257</u>	<u>2,885</u>

Details of the remuneration of the above non-directors, highest paid employees during the Track Record Period are as follows:

	For the year ended 30 September			For the five months ended 28 February	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Salaries, allowances and bonuses	1,472	1,485	1,288	727	700
Pension scheme contributions	<u>39</u>	<u>45</u>	<u>33</u>	<u>19</u>	<u>15</u>
	<u>1,511</u>	<u>1,530</u>	<u>1,321</u>	<u>746</u>	<u>715</u>

The number of these non-directors, highest paid employees where remuneration fell within the following, and is as follows:

	Number of individuals				
	For the year ended 30 September			For the five months ended 28 February	
	2012	2013	2014	2014	2015
				<i>(Unaudited)</i>	
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>2</u>

(b) **Senior management of the Group**

The number of the senior management (other than directors) of the Group are within the following band:

	Number of individuals				
	Year ended 30 September			Five months ended 28 February	
	2012	2013	2014	2014	2015
				<i>(Unaudited)</i>	
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees and senior management waived or agreed to waive any emolument during the Track Record Period.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Prior to the Group reorganisation, the Group had declared and paid the interim dividends, in aggregate amounts of HK\$15,000,000, HK\$54,000,000, HK\$3,000,000 and HK\$37,100,000 to their shareholders during the years ended 30 September 2012, 2013 and 2014 and five months ended 28 February 2015 respectively.

The rate of dividend per share is not presented as it is not indicative of the rate at which future dividend will be declared.

13. EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) 375,000,000 ordinary shares in issue, comprising 26 shares in issue as at the date of this Prospectus and 374,999,974 shares to be issued pursuant to the Capitalisation Issue as described in the section headed "Share Capital" to the Prospectus, as if the share were outstanding throughout the entire Track Record Period.

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive ordinary shares in issue during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT**The Group**

	Office equipment	Furniture and fixtures	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 October 2011	1,245	55	3,863	5,163
Additions	396	—	4,564	4,960
Disposals	<u>—</u>	<u>—</u>	<u>(2,180)</u>	<u>(2,180)</u>
At 30 September 2012 and 1 October 2012	1,641	55	6,247	7,943
Additions	<u>403</u>	<u>—</u>	<u>—</u>	<u>403</u>
At 30 September 2013 and 1 October 2013	2,044	55	6,247	8,346
Additions	—	—	586	586
Disposals	<u>—</u>	<u>—</u>	<u>(100)</u>	<u>(100)</u>
At 30 September 2014 and 1 October 2014	2,044	55	6,733	8,832
Additions	67	—	—	67
Disposals	<u>—</u>	<u>—</u>	<u>(634)</u>	<u>(634)</u>
At 28 February 2015	<u>2,111</u>	<u>55</u>	<u>6,099</u>	<u>8,265</u>

	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accumulated depreciation:				
At 1 October 2011	604	55	1,298	1,957
Charge for the year	281	—	1,404	1,685
Written back on disposals	<u>—</u>	<u>—</u>	<u>(1,090)</u>	<u>(1,090)</u>
At 30 September 2012 and 1 October 2012	885	55	1,612	2,552
Charge for the year	<u>346</u>	<u>—</u>	<u>1,419</u>	<u>1,765</u>
At 30 September 2013 and 1 October 2013	1,231	55	3,031	4,317
Charge for the year	314	—	1,446	1,760
Written back on disposals	<u>—</u>	<u>—</u>	<u>(75)</u>	<u>(75)</u>
At 30 September 2014 and 1 October 2014	1,545	55	4,402	6,002
Charge for the period	110	—	537	647
Written back on disposals	<u>—</u>	<u>—</u>	<u>(634)</u>	<u>(634)</u>
At 28 February 2015	<u>1,655</u>	<u>55</u>	<u>4,305</u>	<u>6,015</u>
Net book value:				
At 30 September 2012	<u>756</u>	<u>—</u>	<u>4,635</u>	<u>5,391</u>
At 30 September 2013	<u>813</u>	<u>—</u>	<u>3,216</u>	<u>4,029</u>
At 30 September 2014	<u>499</u>	<u>—</u>	<u>2,331</u>	<u>2,830</u>
At 28 February 2015	<u>456</u>	<u>—</u>	<u>1,794</u>	<u>2,250</u>

15. TRADE RECEIVABLES

The Group

	As at 30 September			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Trade receivables	<u>19,180</u>	<u>13,037</u>	<u>6,677</u>	<u>10,119</u>

The Group's credit term with its customers is, in general, 7 to 45 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of the trade receivables at the end of each of the Track Record Period, based on the invoice date, are as follows:

	As at 30 September			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Current to 30 days	13,422	6,440	6	5,363
31 — 60 days	3,227	1,689	3,232	515
61 — 90 days	—	2,836	385	756
Over 90 days	<u>2,531</u>	<u>2,072</u>	<u>3,054</u>	<u>3,485</u>
	<u>19,180</u>	<u>13,037</u>	<u>6,677</u>	<u>10,119</u>

Movement in the impairment loss of trade receivables, is as follow:

	As at 30 September			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Balance at the beginning of the year/period	—	—	—	—
Impairment loss on trade receivables	1,672	1	110	—
Amount written off as uncollectible	<u>(1,672)</u>	<u>(1)</u>	<u>(110)</u>	<u>—</u>
Balance at the end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment of trade receivables.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately HK\$5,758,000, HK\$6,597,000, HK\$6,671,000 and HK\$4,756,000 as at 30 September 2012, 2013 and 2014 and 28 February 2015 respectively which were past due at the end of the Track Record Period.

Age of receivables that are past due but not impaired

	As at 30 September			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Less than 1 month past due	3,227	1,689	3,232	515
1 to 3 months past due	1,158	4,656	2,330	2,215
Over 3 months past due	<u>1,373</u>	<u>252</u>	<u>1,109</u>	<u>2,026</u>
	<u>5,758</u>	<u>6,597</u>	<u>6,671</u>	<u>4,756</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over those balances.

16. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

The Group

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Amounts due from customers for contract work				
Contract costs incurred plus recognised profits less recognised losses	17,833	10,516	5,250	2,390
Less: Progress billings received and receivable	<u>(14,181)</u>	<u>(8,689)</u>	<u>(5,132)</u>	<u>(2,066)</u>
	<u>3,652</u>	<u>1,827</u>	<u>118</u>	<u>324</u>

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Amounts due to customers for contract work				
Progress billings received and receivable	33,557	4,420	3,165	—
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(24,459)</u>	<u>(2,614)</u>	<u>(2,358)</u>	<u>—</u>
	<u>9,098</u>	<u>1,806</u>	<u>807</u>	<u>—</u>

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

As at 30 September 2012, 2013 and 2014 and 28 February 2015, retention held by customers for contract work amounted to approximately HK\$3,948,000, HK\$860,000, HK\$902,000 and HK\$3,344,000 respectively.

As at 30 September 2012, 2013 and 2014 and 28 February 2015, advance received from customers for contract work amounted to approximately nil, HK\$30,120,000, nil and HK\$1,973,000 respectively.

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Deposits	161	177	182	346
Prepayments	839	2,926	117	1,370
Other receivables	557	—	—	76
Retention receivables	3,948	860	902	3,344
	<u>5,505</u>	<u>3,963</u>	<u>1,201</u>	<u>5,136</u>

18. AMOUNT DUE FROM A SHAREHOLDER

The Group

	Maximum outstanding balance during the year/period				As at			
	For the year ended			For the	As at			28
	30 September	30 September	30 September	five months ended 28	30 September	30 September	30 September	February
2012	2013	2014	February	2012	2013	2014	2015	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Mr. Leong	16,855	20,383	38,851	38,851	<u>16,628</u>	<u>20,383</u>	<u>38,851</u>	<u>—</u>

The amount due from a shareholder is unsecured, interest-free and recoverable on demand at the end of each of the Track Record Period.

19. CASH AND BANK BALANCES

The Group

Cash and bank balances comprise cash at banks and cash on hand held by the Group. Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

Included in cash and bank balances in the combined statements of financial position are mainly the following amounts denominated in currency other than the functional currency of the entity to which they relate:

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
AUS	641	4,392	4,279	3,841
EUR	3,511	2,705	56	42
British Pound	141	848	286	271
RMB	118	22,420	4,041	3,321
Canadian Dollars	2	1	1	1
Japanese Yen	—	—	90	82
SGD	1,910	2,193	2,132	1,955
	<u>6,323</u>	<u>32,559</u>	<u>10,885</u>	<u>9,513</u>

20. TRADE PAYABLES

The Group

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Trade payables	<u>19,559</u>	<u>8,538</u>	<u>6,622</u>	<u>7,057</u>

The aging analysis of trade payables at the end of each of the Track Record Period based on the invoice date are as follows:

	As at 30 September			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Current to 30 days	11,459	2,086	1,027	2,168
31 — 60 days	5,501	2,900	256	247
61 — 90 days	156	2,578	355	1,186
Over 90 days	<u>2,443</u>	<u>974</u>	<u>4,984</u>	<u>3,456</u>
	<u>19,559</u>	<u>8,538</u>	<u>6,622</u>	<u>7,057</u>

The credit period on purchases of certain goods and services is within 7 to 90 days.

21. ACCRUED EXPENSES AND OTHER PAYABLES

The Group

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Receipts in advance	—	30,120	—	1,973
Other payables	—	883	—	—
Accrued expenses	<u>3,889</u>	<u>4,964</u>	<u>6,765</u>	<u>4,980</u>
	<u>3,889</u>	<u>35,967</u>	<u>6,765</u>	<u>6,953</u>

22. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The Group

The amount due to a non-controlling shareholder is unsecured, interest-free and repayable on demand at the end of each of the Track Record Period.

23. AMOUNT DUE TO A SUBSIDIARY

The Company

The amount due to a subsidiary is unsecured, interest-free and repayable on demand at the end of each of the Track Record Period.

24. SHARE CAPITAL

The Group

For the purpose of the preparation of the combined statement of financial position, the balance of share capital of the Group as at 30 September 2012 and 2013 represents the issued share capital of LCL Construction, LCL Design, LCL Interior, LCL Ltd., LCL Decoration, LCL Deco, LCL Architects and Crystal Sky prior to the establishment of the Company.

As at 30 September 2014, the balance of share capital of the Group represents the issued share capital of LCL Construction, LCL Design, LCL Interior, LCL Ltd., LCL Decoration, LCL Deco, LCL Architects, LCL China and Crystal Sky prior to the establishment of the Company.

As at 28 February 2015, the balance of share capital of the Group represents the issued share capital of the Company, LCL Construction, LCL Design, LCL Interior, LCL Ltd., LCL Decoration, LCL Deco, LCL Architects and LCL China prior to the completion of Reorganisation.

The Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liabilities on 19 January 2015, with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and the Company allotted and issued one share.

25. RESERVES

The Company

	Accumulated loss <i>HK\$'000</i>
As at 19 January 2015 (date of incorporation)	—
Loss and total comprehensive loss for the period	<u>(47)</u>
As at 28 February 2015	<u><u>(47)</u></u>

The Group

The movement in reserves of the Group during the Track Record Period was shown in the combined statements of changes in equity at pages I-8.

Nature and purpose

Other reserve

Other reserve represented (i) the difference between the Group's share of nominal values of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon Reorganisation, (ii) the changes in the Group's ownership interests in its subsidiaries, that do not result in the loss of control.

Distributable reserve

At 30 September 2012, 2013 and 2014 and 28 February 2015, the Company had no distributable reserve available for distribution to the shareholders.

26. CHANGES IN OWNERSHIP INTERESTS OF SUBSIDIARIES

On 23 January 2015, Ms. Chew acquired 13% equity interests of LCL Ltd. and LCL Decoration respectively for a cash consideration of approximately HK\$111,000 and HK\$276,000 respectively. Thereafter, LCL Ltd. and LCL Decoration were wholly owned by Mr. Leong and Ms. Chew.

27. SUBSIDIARIES

(a) Upon the completion of the Reorganisation, the Company had direct or indirect interests in the following subsidiaries:

Name of company	Place and date of incorporation	Class of share/registered capital held	Issued and fully paid share capital/registered or paid-up capital	Proportion of ownership interest and voting rights held by the Company		Principal activities
				Directly %	Indirectly %	
<i>Directly held:</i>						
SBHL ^(f)	BVI, 10 November 2014	Ordinary	1 share of US\$1 each	100	—	Investment holding
<i>Indirectly held:</i>						
LCL Construction ^(a)	Hong Kong ("HK"), 25 May 2007	Ordinary	200,000 shares of HK\$1 each	—	100	Provision of one-stop integrated interior design solutions
LCL Design ^(a)	HK, 23 June 2011	Ordinary	200,000 shares of HK\$1 each	—	100	Provision of one-stop integrated interior design solutions
LCL Interior ^(a)	HK, 25 May 2007	Ordinary	200,000 shares of HK\$1 each	—	100	Provision of one-stop integrated interior design solutions
LCL China ^(d)	HK, 30 January 2014	Ordinary	10,000 shares of HK\$1 each	—	100	Provision of one-stop integrated interior design solutions
LCL Ltd. ^(b)	HK, 12 March 2004	Ordinary	100 shares of HK\$1 each	—	100	Provision of one-stop integrated interior design solutions
LCL Decoration ^(e)	HK, 29 June 2011	Ordinary	100 shares of HK\$1 each	—	100	Provision of one-stop integrated interior design solutions
LCL Deco ^(c)	HK, 24 July 2000	Ordinary	10,000 shares of HK\$1 each	—	100	Provision of one-stop integrated interior design solutions

Name of company	Place and date of incorporation	Class of share/registered capital held	Issued and fully paid share capital/registered or paid-up capital	Proportion of ownership interest and voting rights held by the Company		Principal activities
				Directly %	Indirectly %	
LCL Architects ^(b)	HK, 28 March 1996	Ordinary	3 shares of HK\$1 each	—	100	Provision of one-stop integrated interior design solutions
Crystal Sky ^(f)	BVI, 21 May 2007	Ordinary	100 shares of US\$1 each	—	100	Provision of in-house consultancy services

As at the date of this report, no audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

Notes:

- (a) The statutory financial statements for the years ended 30 June 2012 and 2013 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Standard (“SME-FRS”) issued by the HKICPA and were audited by Lixin C.P.A. Limited, Certified Public Accountants in Hong Kong. The statutory financial statements for the year ended 30 June 2014 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.
- (b) The statutory financial statements for the years ended 30 September 2012 and 2013 were prepared in accordance with SME-FRS issued by the HKICPA and were audited by Lixin C.P.A. Limited, Certified Public Accountants in Hong Kong. The statutory financial statements for the year ended 30 September 2014 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.
- (c) The statutory financial statements for the years ended 31 March 2012, 2013 and 2014 were prepared in accordance with SME-FRS issued by the HKICPA and were audited by Lixin C.P.A. Limited, Certified Public Accountants in Hong Kong.
- (d) The statutory financial statements for the period from the date of incorporation to 30 September 2014 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.
- (e) The statutory financial statements from the date of incorporation to 30 September 2012 and for the year ended 30 September 2013 were prepared in accordance with SME-FRS issued by the HKICPA and were audited by Lixin C.P.A. Limited, Certified Public Accountants in Hong Kong. The statutory financial statements for the year ended 30 September 2014 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.
- (f) No statutory financial statements were issued as it is no statutory requirements of its place of incorporation.

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests

Name of company	Place of incorporation, registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests				Profits/(loss) allocated to non-controlling interests				Accumulated non-controlling interests									
		30	30	30	28	30	30	30	28	30	30	30	28						
		September	September	September	February	September	September	September	February	September	September	September	February						
		2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015						
													<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LCL Architects	HK, Provision of one-stop integrated interior design solutions	33%	33%	33%	33%	85	(194)	(324)	(336)	2,587	2,393	1,069	733						
LCL Decoration	HK, Provision of one-stop integrated interior design solutions	13%	13%	13%	—	331	439	456	5	874	663	1,119	—						
Individually immaterial subsidiaries with non-controlling interests										1,023	247	266	171						
										<u>4,484</u>	<u>3,303</u>	<u>2,454</u>	<u>904</u>						

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) *LCL Architects*

	As at 30 September			As at 28 February
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current asset	4,208	3,042	2,339	1,827
Current assets	4,005	4,340	4,119	1,927
Current liabilities	450	200	3,249	1,553
Equity attributable to owners of the Company	5,176	4,789	2,140	1,468
Non-controlling interests	<u>2,587</u>	<u>2,393</u>	<u>1,069</u>	<u>733</u>
				For the five months ended
				ended
		For the year ended		28 February
		30 September		2015
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	17,599	10,866	10,600	4,571
Expenses	<u>(17,343)</u>	<u>(11,447)</u>	<u>(11,573)</u>	<u>(5,579)</u>
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>256</u>	<u>(581)</u>	<u>(973)</u>	<u>(1,008)</u>
Profit/(loss) and total comprehensive income/(loss) attributable to owners of the Company	171	(387)	(649)	(672)
Profit/(loss) and total comprehensive income/(loss) attributable to non-controlling interests	<u>85</u>	<u>(194)</u>	<u>(324)</u>	<u>(336)</u>
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>256</u>	<u>(581)</u>	<u>(973)</u>	<u>(1,008)</u>
Dividend paid to non-controlling interests	<u>—</u>	<u>—</u>	<u>1,000</u>	<u>—</u>
Net cash inflows/(outflows) from operating activities	1,608	757	1,788	(181)
Net cash (outflows)/inflows from investing activities	(3,995)	1	(426)	—
Net cash inflows/(outflows) from financing activities	<u>4,670</u>	<u>(2,523)</u>	<u>(2,237)</u>	<u>281</u>
Net cash inflows/(outflows)	<u>2,283</u>	<u>(1,765)</u>	<u>(875)</u>	<u>100</u>

(ii) LCL Decoration

	As at 30 September			As at 28 February
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current asset	680	737	440	317
Current assets	9,207	13,105	13,481	13,394
Current liabilities	3,163	8,739	5,312	13,241
Equity attributable to owners of the Company	5,850	4,440	7,490	470
Non-controlling interests	<u>874</u>	<u>663</u>	<u>1,119</u>	<u>—</u>
				For the five months ended
	For the year ended			ended
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	43,564	91,188	20,984	9,092
Expenses	<u>(41,021)</u>	<u>(87,809)</u>	<u>(17,478)</u>	<u>(9,231)</u>
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>2,543</u>	<u>3,379</u>	<u>3,506</u>	<u>(139)</u>
Profit/(loss) and total comprehensive income/(loss) attributable to owners of the Company	2,212	2,940	3,050	(144)
Profit and total comprehensive income attributable to non-controlling interests	<u>331</u>	<u>439</u>	<u>456</u>	<u>5</u>
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>2,543</u>	<u>3,379</u>	<u>3,506</u>	<u>(139)</u>
Dividend paid to non-controlling interests	<u>—</u>	<u>650</u>	<u>—</u>	<u>—</u>
Net cash (outflows)/inflows from operating activities	(1,068)	3,159	4,794	(945)
Net cash (outflows)/inflows from investing activities	(891)	(287)	21	7
Net cash (outflows)/inflows from financing activities	(8,765)	1,135	(2,204)	(3,426)
Effect of exchange rate changes	<u>(46)</u>	<u>126</u>	<u>66</u>	<u>(67)</u>
Net cash (outflows)/inflows	<u>(10,770)</u>	<u>4,133</u>	<u>2,677</u>	<u>(4,431)</u>

28. OPERATING LEASE COMMITMENTS**The Group as lessee**

The Group entered into commercial leases on certain land, offices buildings and director's quarters. These leases have an average life of 2 years. None of the leases include contingent rentals.

At the end of each Track Record Period, the Group had total future minimum lease payment under non-cancellable operating lease falling due as follows:

	As at 30 September			As at 28 February	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Within one year	2,637	4,316	4,284	4,676	1,871
In the second to fifth years inclusive	<u>12</u>	<u>3,744</u>	<u>180</u>	<u>1,761</u>	<u>—</u>
	<u>2,649</u>	<u>8,060</u>	<u>4,464</u>	<u>6,437</u>	<u>1,871</u>

29. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the end of each of the Track Record Period.

30. MAJOR NON-CASH TRANSACTION

For the Track Record Period, the Group settled the dividend to shareholder of approximately HK\$15,000,000, HK\$52,700,000, HK\$2,000,000 and HK\$37,100,000 for the years ended 30 September 2012, 2013 and 2014 and for the five months ended 28 February 2015 respectively through the Group's current account with a shareholder.

31. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this Prospectus, the Group had entered into the following material transactions with related parties during the Track Record Period:

(a) Transactions with related parties

	For the year ended 30 September			For the five months ended 28 February	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Rental expense paid to Well East Limited (<i>Note (a)</i>)	1,488	1,488	1,368	620	20
Rental expense paid to Pacific East Limited (<i>Note (b)</i>)	720	810	1,440	600	600
Rental expense of the director's quarters paid to World Pioneer Asia Limited (<i>Note (c)</i>)	960	1,080	1,440	600	600
Project cost paid to Tung Mei Design (H.K.) Holding Co. Limited (<i>Note (d)</i>)	—	—	5,078	4,767	—
	<u>—</u>	<u>—</u>	<u>5,078</u>	<u>4,767</u>	<u>—</u>

Notes:

- (a) Mr. Leong and Ms. Chew are the common directors and shareholders of the Company and Well East Limited.
- (b) Mr. Leong is the common director and shareholder of the Company and Pacific East Limited.
- (c) Mr. Leong and Ms. Chew are the common directors and shareholders of the Company and World Pioneer Asia Limited.
- (d) Mr. Shih is the director and shareholder of the Company and Tung Mei Design (H.K.) Holding Co. Limited.

(b) Balances with related parties

As at 30 September 2012, 2013 and 2014 and 28 February 2015, the Group had the following balances with related parties:

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
(i) Amount due from a shareholder				
Mr. Leong	<u>16,628</u>	<u>20,383</u>	<u>38,851</u>	<u>—</u>

	As at 30 September			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
(ii) Amount due to a non-controlling shareholder				
	<u>126</u>	<u>126</u>	<u>126</u>	<u>—</u>

(c) Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees, as disclosed in Note 10 and 11 to the Financial Information are as follows:

	For the year ended 30			For the five	
	September			months ended 28	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Fees	—	—	—	—	—
Other emoluments, salaries and other benefits	2,888	3,053	5,517	2,172	2,965
Pension scheme contributions	<u>52</u>	<u>60</u>	<u>65</u>	<u>25</u>	<u>35</u>
	<u>2,940</u>	<u>3,113</u>	<u>5,582</u>	<u>2,197</u>	<u>3,000</u>

32. EVENTS AFTER THE REPORTING PERIOD

Save as elsewhere in the Prospectus, the Group major subsequent events included the followings:

- (a) Mr. Leong, Ms. Chew and Mr. Shih were appointed as executive directors of the Company on 24 April 2015.
- (b) Mr. Tang Hamilton Ty, Mr. Lee Frank King-ting and Mr. Ho Hin Yip were appointed as independent non-executive directors of the Company on 13 August 2015.
- (c) On 2 March 2015, the non-controlling shareholder of LCL Deco disposed of all his 5,000 shares in LCL Deco to Mr. Leong at a consideration of HK\$500,000. The consideration for the transfer was determined based on the unaudited net assets value of such shares as at 31 January 2015. Upon completion of the transfer, LCL Deco became wholly-owned by Mr. Leong.
- (d) On 2 March 2015, the non-controlling shareholder of LCL Architects disposed of his one share in LCL Architects to Mr. Leong at a consideration of HK\$2,000,000. The consideration for the transfer was determined based on the unaudited net assets value of such shares as at 31 January 2015. Upon completion of the transfer, LCL Architects was owned as to approximately 66.66% and 33.33% by Mr. Leong and Ms. Chew, respectively.
- (e) The Group disposed of Crystal Sky which has become inactive towards the end of the Track Record Period. On 4 August 2015, SBHL and Mr. Leong entered into a sale and purchase agreement, pursuant to which SBHL agreed to transfer the entire issued share capital of Crystal Sky at the consideration of approximately HK\$974,000 to Mr. Leong. The consideration for the transfer was determined based on the net assets value of Crystal Sky according to the management accounts of Crystal Sky as at 31 July 2015. As the consideration for the disposal of Crystal Sky was based on its net asset value, the disposal of Crystal Sky did not result in a gain or loss on the Group. Moreover, since Crystal Sky has become inactive, the disposal of it will not affect the Group's financial performance and business. Crystal Sky has passed resolutions appointing a liquidator to proceed with its voluntary liquidation on 13 August 2015.
- (f) On 4 August 2015, the Reorganisation set out in Note 2 was completed.
- (g) Pursuant to the resolutions of LCL China, LCL Construction, LCL Design, LCL Interior, LCL Ltd. and LCL Architects passed on 26 May 2015, interim dividend amounts of HK\$5,900,000, HK\$4,400,000, HK\$1,600,000, HK\$2,800,000, HK\$700,000 and HK\$1,350,000 respectively was declared and to be paid upon the listing of the Company's shares on the Main Board of the Stock Exchange.

- (h) On 13 August 2015, the share option scheme of the Company is conditionally approved and adopted by a resolution in writing passed by the shareholders of the Company. Further details of the share options scheme are set out in the paragraph headed “E. Share Option Scheme” in Appendix IV to this Prospectus. No options were granted up to the date of this report.
- (i) Pursuant to a resolution in writing passed by all shareholders on 13 August 2015, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by the creation of additional 962,000,000 Shares.
- (j) On 13 August 2015, the directors of the Company were authorised to capitalise HK\$3,749,999.74 by applying that sum in paying up in full at par 374,999,974 shares for allotment.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 28 February 2015 and up to the date of this report.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of the adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on the combined net tangible assets as of 28 February 2015 as if it had taken place on 28 February 2015.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature it may not give a true picture of the combined net tangible assets as of 28 February 2015 as derived from the combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 28 February 2015	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
		<i>(Note 1)</i>	<i>(Note 3)</i>	<i>(Notes 2 and 3)</i>
Based on the Offer Price of HK\$0.85 per Share	<u>19,729</u>	<u>86,778</u>	<u>106,507</u>	<u>0.21</u>
Based on the Offer Price of HK\$1.00 per Share	<u>19,729</u>	<u>104,778</u>	<u>124,507</u>	<u>0.25</u>

Notes:

- (1) The estimated net proceeds from the Share Offer are based on 125,000,000 Shares and the price range of HK\$0.85 and HK\$1.00 per share, after deduction of underwriting fees and related expenses payable by the Company which has not been reflected in the net tangible assets of the Group as at 28 February 2015 and take no account of any shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The unaudited pro forma adjusted combined net tangible assets per share is arrived at after the adjustments referred to above and on the basis that 500,000,000 shares (including shares in issue as at the Latest Practicable Date, shares under the capitalisation issue and the share offer) are in issue and that the options that may be granted under the share option scheme are not exercised.
- (3) The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not take into account the interim dividend of HK\$16,750,000 declared on 26 May 2015. Such dividend will be paid upon the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets would be approximately HK\$89,757,000 (assuming an offer price of HK\$0.85 per share) and approximately HK\$107,757,000 (assuming an offer price of HK\$1.00 per share) respectively, while the unaudited pro forma adjusted combined net tangible assets per share would be HK\$0.18 (assuming an offer price of HK\$0.85 per share) and HK\$0.22 (assuming an offer price of HK\$1.00 per share) respectively.
- (4) No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 28 February 2015.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in connection with the unaudited pro forma financial information.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

21 August 2015

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN
INVESTMENT CIRCULAR**

TO THE DIRECTORS OF LC GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of LC Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the pro forma adjusted combined net tangible assets as at 28 February 2015, and related notes as set out on pages II-1 to II-2 of the prospectus (the “**Prospectus**”) dated 21 August 2015 issued by the Company. The applicable criteria on the basis of which the directors have complied the Unaudited Pro Forma Financial Information are described in Appendix II to Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer and placing of shares (the “**Share Offer**”) on the Group’s combined net tangible assets as at 28 February 2015 as if the Share Offer had taken place at 28 February 2015. As part of this process, information about the Group’s combined net tangible assets has been extracted by the directors from the Group’s combined financial statements for the five months ended 28 February 2015, on which an accountants’ report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7, “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction at 28 February 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 January 2015 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 13 August 2015 with effect from Listing. The following is a summary of certain provisions of the Articles:

(a) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of our Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of our subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with our Company or any of our subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of our subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of our subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of our subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

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The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of our subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for

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damages for any breach of any contract between him and our Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

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(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) **Alteration of capital**

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or

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- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

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(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

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(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general

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meeting shall be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.
- (j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner

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of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

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(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part

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thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

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(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of

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different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, our subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, our subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the

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company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 16 February 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom but otherwise are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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(m) **Inspection of corporate records**

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

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In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 January 2015. Our Company has established a place of business in Hong Kong at 21st Floor, Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong on 19 January 2015 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 2 March 2015, with Mr. Shih and Mr. Cheng Chun Shing appointed as the authorised representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles of our Company and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon its incorporation, one Share was allotted and issued to its initial subscriber. On the same day, the said one Share was transferred to SGL. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

- (a) on 13 August 2015, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional 962,000,000 Shares;
- (b) in connection with the Reorganisation, SBHL acquired the issued share capital of Crystal Sky on 19 January 2015, and all the issued share capital of each of LCL Architects, LCL China, LCL Construction, LCL Deco, LCL Decoration, LCL Design, LCL Interior and LCL Ltd. on 3 August 2015, respectively, from Mr. Leong (and Ms. Chew, if applicable) in consideration of the allotment and issuance of an aggregate of 25 Shares by our Company credited as fully paid to SGL; and
- (c) immediately following completion of the Share Offer and Capitalisation Issue (but not taking into account of any Shares that may be allotted and issued pursuant to the exercise of any option(s) which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, of which 500,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 500,000,000 Shares will remain unissued. Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraph headed “Written resolutions of the sole Shareholder dated 13 August 2015” in this appendix, the exercise of the options which

may be granted under the Share Option Scheme, our Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus up to the Latest Practicable Date.

3. Changes in the share capital of our subsidiaries

Our principal subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there are no changes in the registered capital of our subsidiaries during the two years preceding the date of this prospectus.

4. Written resolutions of the sole Shareholder dated 13 August 2015

By the written resolutions of the sole Shareholder passed on 13 August 2015, among other things:

- (a) our Company approved and adopted the Memorandum of Association and conditionally adopted and approved the Articles of our Company;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional 962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;
- (c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and Shares to be allotted and issued as mentioned in this prospectus (including the Shares which may be allotted and issued pursuant to the exercise of the options to be granted under the Share Option Scheme); (bb) the Offer Price having been duly determined and the execution and delivery of the Underwriting Agreements on the date as specified in this prospectus; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:

- (i) the Share Offer and the Share Option Scheme were approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of any option(s) which may be granted under the Share Option Scheme; (bb) implement the Share Offer and the listing of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to approve any amendment(s) to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$3,749,999.74 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 374,999,974 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 13 August 2015 (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to the resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or an issue of Shares upon the exercise of any option(s) which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue with an aggregate nominal value not exceeding the sum of (aa) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding the Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next

annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding the Shares which may be allotted and issued pursuant to the exercise of the option(s) which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought back by our Company pursuant to the mandate to repurchase Shares as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding the Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

5. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For details, please see the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

6. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of the sole Shareholder passed on 13 August 2015, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding the Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchase(s) by us may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are bought back or, subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately after the Listing, would result in up to 50,000,000 Shares being bought back by our Company during the period in which the Repurchase Mandate remains in force.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 30% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:


- (a) a sale and purchase agreement dated 19 January 2015 and entered into between, among others, Mr. Leong and Ms. Chew as vendors and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of Crystal Sky;
- (b) a sale and purchase agreement dated 3 August 2015 and entered into between, among others, Mr. Leong and Ms. Chew as vendors and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of LCL China;
- (c) a sale and purchase agreement dated 3 August 2015 and entered into between, among others, Mr. Leong and Ms. Chew as vendors and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of LCL Construction;
- (d) a sale and purchase agreement dated 3 August 2015 and entered into between, among others, Mr. Leong and Ms. Chew as vendors and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of LCL Decoration;
- (e) a sale and purchase agreement dated 3 August 2015 and entered into between, among others, Mr. Leong and Ms. Chew as vendors and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of LCL Design;
- (f) a sale and purchase agreement dated 3 August 2015 and entered into between, among others, Mr. Leong and Ms. Chew as vendors and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of LCL Interior;
- (g) a sale and purchase agreement dated 3 August 2015 and entered into between, among others, Mr. Leong and Ms. Chew as vendors and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of LCL Ltd.;

- (h) a sale and purchase agreement dated 3 August 2015 and entered into between, among others, Mr. Leong and Ms. Chew as vendors and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of LCL Architects;
- (i) a sale and purchase agreement dated 3 August 2015 and entered into between, among others, Mr. Leong as vendor and our Company as purchaser in respect of the sale and purchase of the entire issued share capital of LCL Deco;
- (j) a sale and purchase agreement dated 4 August 2015 and entered into between SBHL as vendor and Mr. Leong as purchaser in respect of the sale and purchase of all the shareholding interests of SBHL in Crystal Sky;
- (k) the Deed of Non-competition;
- (l) the Deed of Indemnity; and
- (m) the conditional public offer underwriting agreement dated 19 August 2015 and entered into by our Company, the executive Directors, the Controlling Shareholders, the Sponsor and the Public Offer Underwriter relating to the Public Offer.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademark:

Trademark application number	Trademark	Applicant	Place of application	Class	Application date
303316347		our Company	Hong Kong	37, 42	3 March 2015

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registered owner	Date of registration	Expiry date
www.lchk.hk	Our Group	13 January 2015	13 January 2016
www.lclarchitects.com	Our Group	7 December 2005	7 December 2017
www.lclinterior.com	Our Group	13 January 2015	13 January 2016
www.lcllimited.com	Our Group	7 December 2005	7 December 2017

Save as disclosed in this prospectus, there are no trademarks, patents or other intellectual property rights which are material in relation to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Directors' Service Contracts**

The aggregate annual basic salary (excluding the bonus and allowances mentioned below) of all our executive Directors pursuant to each of their respective service contracts is approximately HK\$3.2 million. Our executive Directors' service contracts have a term of three years commencing from the Listing Date and may be terminated by either party by giving not less than three calendar months' notice in writing. In certain other circumstances, the service contract can also be terminated by us, including but not limited to certain breaches of our Directors' obligations under the contract or certain misconducts. The appointments of the executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. The salary of each executive Director after each financial year is subject to adjustment as determined by our Company's remuneration committee and approved by a majority of the members of the Board (excluding our Director whose salary is under review).

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from the Listing Date and may be terminated by either party by giving at least three months' notice. The appointments of the independent non-executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. Pursuant to the terms of the letters of appointment, the annual director's fee payable to our independent non-executive Directors is approximately HK\$0.7 million.

2. Directors' Remuneration

Our Company's policies concerning remuneration of executive Directors are as follows:

- (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on our Director's experience, responsibility, workload and the time devoted to our Group; and
- (ii) non-cash benefits may be provided at the discretion of the Board to our Directors under their remuneration package.

The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the three years ended 30 September 2014 and the five months ended 28 February 2015 was approximately HK\$1.9 million, HK\$2.1 million, HK\$4.3 million and HK\$2.2 million, respectively. Details of our Directors' remuneration are also set out in note 10 of the Accountants' Report set out in Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 30 September 2015, are expected to be approximately HK\$4.1 million.

Saved as disclosed above, no other payments have been made or are payable in respect of the years ended 30 September 2012, 2013, 2014 and the five months ended 28 February 2015 by any member of our Group to any of our Directors.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 30 September 2014 and the five months ended 28 February 2015 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 30 September 2014 and the five months ended 28 February 2015.

3. Disclosure of Directors' Interests

Immediately following completion of the Share Offer and the Capitalisation Issue (but not taking into account of any Shares that may be allotted and issued pursuant to the exercise of any option(s) which may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Long positions in the Shares of our Company

Name of Director	Capacity/Nature of interest	Number of Shares	Percentage of Shareholding
Mr. Leong	Interest in a controlled corporation	375,000,000 <i>(Note 2)</i>	75%
Ms. Chew	Interest of spouse	375,000,000 <i>(Note 3)</i>	75%

Notes:

1. The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. We have therefore assumed that 500,000,000 Shares will be in issue on the Listing Date.
2. SGL is owned as to 75% and 25% by Mr. Leong and Ms. Chew, respectively. Accordingly, Mr. Leong is deemed to be interested in all the 375,000,000 Shares owned by SGL by virtue of the SFO.
3. Ms. Chew is the spouse of Mr. Leong. Under the SFO, Ms. Chew is deemed to be interested in all the 375,000,000 Shares owned by Mr. Leong through SGL.

4. Substantial Shareholders

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (but not taking into account of any Shares that may be allotted and issued pursuant to the exercise of any option(s) which may be granted under the Share Option Scheme), the following persons (not being a Director or the chief executives of our Company) will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue (Note 1)	Approximate percentage of interest in our issued share capital immediately after the Share Offer and the Capitalisation Issue (Note 2)
SGL	Beneficial Owner	375,000,000 (L)	75%

Notes:

1. The letter "L" denotes the person's long position in the relevant Shares.
2. The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. We have therefore assumed that 500,000,000 Shares will be in issue on the Listing Date.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

- (b) so far as is known to any of our Directors or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons listed in the paragraph headed “Qualifications and consents of experts” below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the persons listed in the paragraph headed “Qualifications and consents of experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) none of the persons listed in the paragraph headed “Qualifications and consents of experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) so far as is known to our Directors, none of our Directors or their associates or any shareholder of our Company (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Each of SGL, Mr. Leong and Ms. Chew (the “**Indemnifiers**”) has, pursuant to the deed of indemnity (“**Deed of Indemnity**”) dated 13 August 2015 referred to in the paragraph headed “Summary of material contracts” in this appendix, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be paid or payable by any member of our Group (“**Group Member**”) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited combined accounts of our Group as set out in Appendix I to this prospectus;

- (b) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in laws or regulations or practice by the Hong Kong Inland Revenue Department or the tax authorities of Macau or the PRC or any other tax or government authorities in any part of the world coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any Group Member which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the Deed of Indemnity becomes effective (the “**Effective Date**”);
- (d) to the extent that such taxation or liability would not have arisen but for any act or omission by any Group Member (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date hereof or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and
- (e) to the extent of any provisions or reserve made for taxation in the audited accounts of our Group as set out in Appendix I to this prospectus which is finally established to be an over-provision or an excessive reserve.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have jointly and severally given indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of Group Member by reason of any transfer of property to any of the members of our Group on or before the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the British Virgin Islands, being jurisdictions in which the companies comprising our Group are incorporated.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against, save to the extent that full provision has been made as set out in Appendix I to this prospectus, all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with:

- (a) the restructuring and reorganisation undergone by our Group Members (including but not limited to all claims against our Group Members in relation to the disposal of the shareholding interest in Crystal Sky (the “**Excluded Company**”) by SBHL) in preparation for the Listing;
- (b) any alleged or actual violation or non-compliance by any of our Group Members with any laws, regulations or administrative orders or measures in, among others, Macau, Hong Kong and the PRC on or before the Effective Date by any of our Group Members;
- (c) any and all expenses, payments, sums, outgoing fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any Group Members or the Excluded Company may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance or any other applicable laws, rules and regulations by any Group Members on or before the Effective Date (in the case of our Group Members), or on or before 4 August 2015, being the date of the agreement in respect of the disposal of Crystal Sky to Mr. Leong, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Disposal of Crystal Sky” in this prospectus (in the case of the Excluded Company);
- (d) any irregularities in relation to any corporate documents of any of our Group Members; and
- (e) any actual litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious nature or otherwise instituted by or against our Company and/or any of the Group Members arising from any act, non-performance, omission or otherwise of the Company or any of the Group Members on or before the Effective Date.

2. **Litigation**

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The fees payable by us in respect of the Sponsor's services as sponsor for the Listing is HK\$4.5 million.

The Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made for the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$47,000 and are payable by our Company. The estimated expenses relating to the Listing which mainly include professional fees to professional parties are approximately HK\$23.4 million and are payable by our Company.

5. No material adverse change

Saved as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 28 February 2015 (being the date on which the latest audited combined financial information of our Group was prepared).

6. Promoter

Our Company does not have any promoter (as defined in the Listing Rules). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

7. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

8. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(b) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

10. Qualification and consent of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Ample Capital Limited	licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands Attorneys-at-law
Cushman & Wakefield Valuation Advisory Services (HK) Limited	Property valuers
Commerce & Finance Law Offices	Legal Advisers as to PRC law
Rui Afonso Lawyers' Office & Notaries	Legal advisers as to Macau law
RSM Nelson Wheeler Tax Advisory Limited	Qualified Hong Kong tax advisers

Each of the experts named above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or valuation certificate and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

11. Compliance adviser

We have appointed Ample Capital Limited as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules. Further details of the appointment are set out in the section headed “Directors and Senior Management — Compliance Adviser” in this prospectus.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (v) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries; and
 - (vi) none of the members of our Group has any outstanding securities or debentures.
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (f) in case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail; and
- (g) there is no arrangement under which future dividends are waived or agreed to be waived.

E. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(a) *Purpose of the Share Option Scheme*

The purpose of this Share Option Scheme is to enable our Company to grant options to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to our Group and to provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join*

Subject to the provisions in the Share Option Scheme, our Directors shall be entitled but shall not be bound at any time within a period of ten (10) years commencing from the date of adoption to make an offer of grant of an option to any person belonging to the following classes of participants (the “**Eligible Participant(s)**”) to subscribe, and no person other than the Eligible Participant named in such offer may subscribe for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof) at such subscription price as our Directors shall determine:

- (i) any directors (whether executive or non-executive and whether independent or not) and any employee (whether full-time or part-time) of our Group (collectively “**Eligible Employee**”);
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company, any Subsidiary or any entity in which our Group holds any equity interest (the “**Invested Entity**”);
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;

- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
 - (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
 - (vii) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and
 - (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group.
- (c) *Maximum number of Shares*
- (i) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
 - (ii) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% of the total number of Shares in issue as at the date of listing of the Shares unless our Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit (the “**Scheme Mandate Limit**”) under this Share Option Scheme, provided that the options previously granted (including options outstanding, cancelled or lapsed in accordance with the terms of this Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the Scheme Mandate Limit.
 - (iii) Our Company may seek separate approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company as “refreshed” shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Company or exercised) will not be counted for the purpose of calculating the limit as “refreshed”.

For the purpose of seeking the approval of Shareholders, a circular containing the information as required under the Listing Rules must be sent to the Shareholders.

- (iv) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by our Company before such approval is sought and that the proposed grantee(s) and his close associates (or his associates if the proposed grantee is a connected person) shall abstain from voting in the general meeting. For the purpose of seeking the approval of the Shareholders, our Company must send a circular to the Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information as required under the Listing Rules.

(d) *Maximum entitlement of each eligible person*

No option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue, unless:

- (i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the eligible person and his close associates shall abstain from voting;
- (ii) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the eligible person, the number and terms of the options to be granted and options previously granted to such eligible person); and
- (iii) the number and terms (including the subscription price) of such option are fixed before the general meeting of our Company at which the same are approved.

(e) *Grant of options to connected persons*

- (i) The grant of options to a Director, chief executive, management shareholder or substantial shareholder of our Company or any of their respective associates requires the approval of all the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.
- (ii) Where an option is to be granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (1) exceeding 0.1% of the total

number of Shares in issue at the relevant time of grant; and (2) exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5 million, such grant shall not be valid unless: (aa) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including, in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee of the option) to the independent Shareholders as to voting); and (bb) the grant has been approved by the independent Shareholders in general meeting (taken on a poll), at which the proposed grantee, his associates and all core connected persons of our Company shall abstain from voting in favour of the grant.

- (iii) Where any change is to be made to the terms of any option granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by the independent Shareholders in general meeting.

(f) *Time of acceptance and exercise of an option*

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer letter issued by our Company, being a date not later than 21 days from the date upon which it is made, by which the eligible person must accept the offer or be deemed to have declined it, provided that the period (the “**Option Period**”) from such date shall not be more than ten years after the date of adoption of the Share Option Scheme or after the termination of the Share Option Scheme.

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his legal personal representatives) at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the scheme.

(g) *Performance targets*

There is no performance target that has to be achieved or minimum period in which the option must be held before the exercise of any option save as otherwise imposed by our Board on the relevant offer of options.

(h) *Subscription price for Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by our Board and notified to an eligible person, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date (the “**Offer Date**”), which must be a trading day, on which our

Board passes a resolution approving the making of an offer of grant of an option to an eligible employee; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

Where an option is to be granted, the date of our Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option. For the purpose of calculating the subscription price, where an option is to be granted less than five trading days after the listing of the Shares on the Stock Exchange, the Offer Price shall be taken to be the closing price for any Business Day before listing.

(i) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(j) *Restrictions on the time of grant of options*

No option shall be granted after an inside information concerning our Company or any subsidiary has occurred or an inside information matter concerning our Company or any subsidiary has been the subject of a decision until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(k) *Period of the Share Option Scheme*

Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. All options granted prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(l) *Rights on cessation of employment*

Where the grantee of an outstanding option ceases to be an employee of our Group for any reason other than his death, retirement or the termination of his employment on one or more of the grounds specified in (paragraph (m) below) before exercising his option in full, his option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our

Directors otherwise determine in which event the grantee may exercise his option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination. The date of such cessation shall be his last actual working day at his work place with our Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not.

(m) *Rights on dismissal*

If the grantee of an option is an eligible person and ceases to be an eligible person by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or us or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an eligible person.

(n) *Rights on breach of contract*

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an eligible person) has committed any breach of any contract entered into between the grantee on the one part and us or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of us by reason of the cessation of its relations with us or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

(o) *Rights on death*

Where the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 12 months from the date of death.

(p) *Rights on a general offer*

In the event of a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer).

(q) *Rights on winding-up*

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all grantees (together with a notice of existence of this provision) and thereupon, each grantee (or his legal representative(s)) shall be entitled to exercise all or any of his options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than one Business Day immediately prior to the date of the proposed general meeting as referred to above, allot the relevant Shares to the grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(r) *Rights on compromise or arrangement between our Company and its creditors*

In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and our Shareholders (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to our Shareholders or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his option so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(s) *Reorganisation of capital structure*

In the event of any alteration in the capital structure of our Company whilst any option has been granted and remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction), our Company shall (if applicable) make corresponding alterations (if any), in accordance with the Listing Rules and any applicable

guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance issued on 5 September 2005) to:

- (i) the maximum number of Shares subject to the Share Option Scheme and/or aggregate amount of Shares subject to the options already granted so far as they remain exercisable; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the option(s)(if applicable) provided that:
 - (1) no such alteration shall be made in respect of an issue of Shares or other securities by our Company as consideration in a transaction;
 - (2) any such alterations must be made so that each grantee is given the same proportion of the equity capital of our Company as that to which he was previously entitled;
 - (3) no such alterations shall be made which would result in the subscription price for a Share being less than its nominal value; and
 - (4) any such alterations, save those made on a Capitalisation Issue, shall be confirmed by an independent financial adviser or the auditors in writing to our Directors as satisfying the requirements of provisos paragraphs (2) and (3) above.

(t) *Cancellation of options*

Our Company may cancel an option granted but not exercised with the approval of our Board. Any options cancelled by approval of our Board cannot be re-granted to the same eligible person.

(u) *Termination of the Share Option Scheme*

Our Company, by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable or transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

(w) Lapse of option

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (l)—(r);
- (iii) in respect of a grantee who is an Eligible Employee, the date on which the grantee ceases to be an Eligible Employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute);
- (iv) in respect of a grantee other than an Eligible Employee, the date on which the Directors shall at their absolute discretion determine that (i) (aa) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (bb) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cession of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i)(aa) to (cc) above; or
- (v) the date on which the Directors shall exercise our Company's right to cancel the option by reason of a breach by the grantee in respect of that or any other option.

Our Company shall owe no liability to any grantee for the lapse of any option under this paragraph.

(x) Alterations to the Share Option Scheme

- (i) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of our Board except that the following alteration must be approved by a resolution of the Shareholders in general meeting:
 - (1) any change(s) to the definitions of eligible person, grantee and option period;

- (2) any change(s) to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options;
 - (3) any alteration(s) to the terms and conditions of the Share Option Scheme which are of a material nature;
 - (4) any change(s) to the terms of options granted; and
 - (5) any change(s) to the authority of our Board in relation to any alteration(s) to the terms of the Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that: (aa) the amended terms of the Share Option Scheme or the options must comply with Chapter 17 of the Listing Rules; and (bb) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the option granted under the Scheme.
- (ii) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be altered in any respect by resolution of our Board without the approval of the Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guideline issued by the Stock Exchange from time to time.
 - (iii) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.
- (y) *Conditions*

The Share Option Scheme is conditional upon:

- (i) the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and the Shares which may fall to be allotted and issued pursuant to the exercise of any option granted under the Share Option Scheme;
- (ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any option(s) granted under the Share Option Scheme; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions referred to in paragraph (y) are not satisfied on or before the date falling thirty (30) days after the date of this prospectus, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

2. Present status of the Share Option Scheme

(a) *Approval and adoption of the rules of the Share Option Scheme*

The rules of the Share Option Scheme, the principal terms of which are set out above, were approved and adopted by the Shareholders on 13 August 2015. The provisions of the Share Option Scheme comply with Chapter 17 of the Listing Rules in all material respects.

(b) *Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Scheme and any other share option scheme(s) of our Company shall not exceed 50,000,000 Shares, being 10% of the total number of Shares in issue as at the date of listing of the Shares unless our Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme, provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above mentioned.

(c) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(d) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents of the experts referred to in the paragraph headed “D. Other Information — 10. Qualification and Consent of Experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “B. Further Information about our Company’s Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Robertsons at 57th Floor, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- 1. the Memorandum of Association and Articles of Association of our Company;
- 2. the Accountants’ Report of our Group dated 21 August 2015 prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- 3. the audited financial statements of the companies now comprising our Group for the three years ended 30 September 2014 and the five months ended 28 February 2015;
- 4. the report on the unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- 5. the rental appraisal reports issued by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an Independent Third Party valuer, in respect of the Tenancy Agreements;
- 6. the rules of the Share Option Scheme;
- 7. the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- 8. the Companies Law;
- 9. the legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Adviser, in respect of certain aspects on business operations of our Group;

10. the material contracts referred to in the paragraph headed “B. Further Information about our Company’s Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
11. the written consents referred to in the paragraph headed “D. Other Information — 10. Qualification and Consent of Experts” in Appendix IV to this prospectus;
12. the service contracts referred to in the paragraph headed “Further Information about our Directors and Substantial Shareholders — Directors’ Service Contracts” in Appendix IV to this prospectus;
13. the legal opinion issued by Rui Afonso Lawyers’ Office & Notaries, our legal advisers as to Macau law, in respect of certain aspects on business operations of our Group; and
14. the tax expert opinion prepared by RSM Nelson Wheeler Tax Advisory Limited in respect of taxation.



LC GROUP HOLDINGS LIMITED
良斯集團控股有限公司